



CYPEN & CYPEN

NEWSLETTER

for

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Never Forget September 11, 2001
and
Always Remember May 2, 2011

1. BILL BEEFING UP RETIREMENT PROTECTIONS FOR WOMEN INTRODUCED:

Senator (Patty Murray (D-WA), Ranking Member of the Senate Health, Education, Labor, and Pensions Committee) has introduced legislation to address some of the challenges families face as they plan for retirement – particularly for women. The Women’s Pension Protection Act of 2018 (WPPA) – co-sponsored by Sen. Maria Cantwell (D-WA) – would,

[according to a press release](#), “strengthen consumer protections to safeguard retirement savings, improve access to retirement savings plans for long-term, part-time workers, help increase women’s financial literacy and give support to low-income women and survivors of domestic abuse seeking the retirement benefits they are entitled to following a divorce.” Specifically, with regard to retirement plans, the bill would:

Expand existing spousal protections for defined benefit plans to defined contributions plans. It also explicitly outlines the rights of participants and beneficiaries to bring a civil suit for violations of these new requirements – rights which are currently available for participants and beneficiaries of defined benefit plans.

Change the minimum participation standards for long-term, part-time workers (most of whom are women). It would allow employees to participate in a plan once they have reached the current minimum participation standards (age 21 or the completion of one year of service – generally 1,000 hours of service during a 12-month period) or once they have completed at least 500 hours of service for two consecutive years, if earlier. This provision would not apply to employees who are covered by a collective bargaining agreement provided that retirement benefits were the subject of good faith bargaining. Oh, and the provision further provides that plans that fail to permit participation for these long-term, part-time workers may be subject to a civil penalty of \$10,000 per year per employee;

Effective Dates

The increased spousal protections under defined contribution plans provision would become effective for distributions and rollover contributions six months following the enactment of the bill. The improved coverage for long-term part-time workers provision would apply to plan years beginning after Dec. 31, 2016. (The bill’s sponsors point out that any 12-month period beginning before Jan. 1, 2014 in which an employee worked at least 500 hours would not be counted for purposes of this provision.)

Other Provisions

The bill would also:

- increase financial literacy by providing grants for community-based organizations

to improve the financial literacy among women who are of working or retirement age; and

- support low-income women and survivors of domestic abuse seeking retirement benefits by providing grants of at least \$250,000 for community-based organizations that assist them in obtaining qualified domestic relations orders.

In addition to Sens. Murray and Cantwell, co-sponsors of the Women's Pension Protection Act of 2018 include Elizabeth Warren (D-MA), Jeanne Shaheen (D-NH), Tammy Baldwin (D-WI), Heidi Heitkamp (D-ND), Mazie Hirono (D-HI), Debbie Stabenow (D-MI), Amy Klobuchar (D-MN), Maggie Hassan (D-NH), Catherine Cortez-Masto (D-NV), Tammy Duckworth (D-IL), Tina Smith (D-MN), Claire McCaskill (D-MO), Dianne Feinstein (D-CA), Kamala Harris (D-CA) and Kirsten Gillibrand (D-NY). The National Association of Plan Advisors (NAPA), September 14, 2018.

2. HOW IS THE MORTALITY GAP AFFECTING SOCIAL SECURITY PROGRESSIVITY?

The *brief's* key findings are:

- While Americans are generally living longer, the gains have been unequal; those with higher socioeconomic status (SES) have substantially longer lifespans.
- This growing mortality gap works against Social Security's progressive benefit design, as higher-SES individuals end up getting their benefits for a longer period.
- As a result, studies find that the mortality gap has significantly reduced – though not eliminated – the overall progressivity of the Social Security program.

[DOWNLOAD FULL BRIEF](#)

Matthew S. Rutledge, Center for Retirement Research at Boston College, IB#18-16, September 2018.

3. EXAMINING THE ROOT CAUSES OF FINANCIAL STRESS:

In addition to evaluating participant financial stress levels, a new OneAmerica survey also looks at the specific factors causing participants to experience financial stress. Two in three retirement plan participants indicate they have moderate to very high levels of financial stress, according to recent client polling conducted by OneAmerica. The firm

finds one in five Americans report feeling “high” to “very high” financial stress levels. “Not having enough for retirement was the top financial concern, cited by 34% of participants; not having enough to pay monthly bills was cited by 23% of participants, and not being able to pay housing costs was cited by 15% of participants,” the survey report says. “The study found that age impacts participant top financial concerns, with younger individuals showing more concern about meeting day-to-day expenses, and older individuals indicating they are more concerned about not having enough for retirement.” Marsha Whitehead, OneAmerica vice president of enterprise marketing, notes that evaluating top financial concerns provides great insight into the root cause of financial stress. “It is critically important for plan sponsors to understand and address participants’ concerns around retirement preparation and day-to-day financial needs,” Whitehead suggests. “Failing to do so might not only lead to a financially stressed work force, but one that [may experience increased absenteeism](#), tardiness, decreased productivity and safety issues.” OneAmerica’s survey shows one in three participants report that being able to meet day-to-day and monthly expenses most closely aligns with their definition of being financially well. One in four define financial wellness as having enough money to retire, followed by being prepared for a financial emergency or life event (15%), having a controlled level of debt (14%) and achieving a desirable level of income (12%), says the firm. According to the polling, nearly one in four participants indicate that gaining control of their debt is most important when it comes to feeling financially well, followed by 22% indicating that contributing more to their retirement plan will help them in achieving financial wellness. Creating a formal budget or spending plan was cited by 19% of retirement plan participants. “As the industry looks to place a value on a participant’s or a plan’s financial wellness, it is important to look at these results and understand that achieving financial wellness varies from participant to participant and can shift as an individual ages,” observes Melissa Musial, OneAmerica marketing research and data manager. “Although we see retirement preparation as a top financial concern and near the top of how participants define and achieve wellness, basic financial concerns such as meeting day-to-day expenses often take priority. If a plan sponsor has not yet [implemented a financial wellness program](#), now is the time.” A white paper with additional survey results is available for download [here](#). John Manganaro, Plansponsor, September 12, 2018.

4. MIAMI BEACH SET ITS OWN MINIMUM WAGE. NOW IT IS BEING FOUGHT

BEFORE STATE SUPREME COURT:

In a case being watched by business groups and local governments, the city of Miami Beach is asking the Florida Supreme Court to act quickly in a battle about the legality of a local minimum wage. Justices last month, in a 4-3 decision, agreed to take up the city's appeal of [a ruling that blocked a minimum-wage ordinance from taking effect](#). The ordinance, approved in 2016, had been planned to set the minimum wage in the city at \$10.31 an hour this year, with annual incremental increases to \$13.31 an hour in January 2021. The statewide minimum wage this year is \$8.25 an hour. Attorneys for the city filed a legal brief at the Supreme Court this week and asked justices to rule by Jan. 1. Such a quick timetable would allow a higher minimum wage to take effect in January if the city wins the case. "Obviously, all of the low wage workers in the city are suffering immediate, continuing, and irreparable harm every day that they await a decision by this court," the city attorneys argued in the brief. "That harm will increase exponentially on January 1, 2019, and continue for every paycheck thereafter, if they are not awarded the second incremental increase provided by the ordinance." Siding with opponents such as the Florida Retail Federation, the Florida Chamber of Commerce and the Florida Restaurant & Lodging Association, the 3rd District Court of Appeal in December ruled that state law blocks Miami Beach from moving forward with the minimum wage. The appeals court said a state "preemption" law prevents local governments from establishing minimum wages. The case, in part, focuses on a 2004 constitutional amendment that created a higher minimum wage in Florida than the federal minimum wage. Miami Beach contended that the constitutional amendment also allowed it to set a different minimum wage. But the appeals court said an earlier state law prevented local governments from setting minimum wages and that the constitutional amendment did not change that "preemption" law. "Certainly, had the drafters of (the constitutional amendment) wanted to restrict the Legislature's ability to prohibit a municipality from adopting its own minimum wage ordinance, they could have employed clear and direct language to achieve that purpose," a panel of the appeals court said. "For whatever reason, the drafters of the provision chose not to incorporate such language in the text of the amendment and we decline city's invitation to do so by judicial fiat." But attorneys for the city disputed that interpretation of the 2004 constitutional amendment in the brief filed this week. "The city's ordinance is ... valid because the earlier enacted preemption statute, which prohibited local minimum wage ordinances, conflicts with the later enacted 2004 minimum wage amendment that

explicitly states that it does not prohibit higher local minimum wage ordinances,” the brief said. The business groups and Attorney General Pam Bondi’s office argued that the Supreme Court should not take up the case. But the court issued an order Aug. 29 accepting the case. Justices Barbara Pariente, R. Fred Lewis, Peggy Quince and Jorge Labarga supported the move, while Chief Justice Charles Canady and justices Ricky Polston and Alan Lawson were opposed. In the order, the court did not set a date for oral arguments. Along with the business groups, local governments also are watching the case. The Florida League of Cities and the International Municipal Lawyers Association received approval Wednesday to file a friend-of-the-court brief in support of Miami Beach. Jim Sanders, *News Service of Florida*, September 12, 2018.

5. FDIC SEEKS COMMENT ON THE TREATMENT OF RECIPROCAL DEPOSITS:

The Federal Deposit Insurance Corporation (FDIC) is seeking comment on a proposed rule to implement Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) to exempt certain reciprocal deposits from being considered as brokered deposits for certain insured institutions. Under the reciprocal deposit exception addressed in today’s proposed rule, well-capitalized and well rated institutions are not required to treat reciprocal deposits as brokered deposits up to the lesser of 20 percent of its total liabilities or \$5 billion. Institutions that are not both well capitalized and well rated may also exclude reciprocal deposits from their brokered deposits under certain circumstances. This rulemaking is the first of a two-part effort the FDIC plans to take to revisit the brokered deposit rules. For the second part, the FDIC plans to seek comments later this year on the agency’s overall brokered deposit and rate cap regulations. “As FDIC Chairman, I am currently undertaking a comprehensive review of FDIC regulations and policies. A key part of this process will be a reassessment of the agency’s brokered deposits regulations and FAQs. Since the rules were put in place, the industry has seen significant changes in technology, business models, and product types, and later this year we will ask for public comment on how best to update the rules to reflect such changes,” said FDIC Chairman Jelena McWilliams. Comments on the proposed rule to implement Section 202 of EGRRCPA on reciprocal deposits will be accepted for 30 days after publication in the Federal Register. PR-60-2018, Media Contact: Julianne Fisher Breitbeil, 202.898.6895, jbreitbeil@fdic.gov, September 13, 2018.

[Proposed Rule](#)

[About the FDIC](#)

Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's banks and savings associations, 5,542 as of June 30, 2018. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars -- insured financial institutions fund its operations. FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877.275.3342 or 703.562.2200).

6. FACTS TO HELP TAXPAYERS UNDERSTAND INDIVIDUAL RETIREMENT ARRANGEMENTS:

Individual Retirement Arrangements – [better known simply as IRAs](#) – are accounts into which someone can deposit money to provide financial security when they retire. A taxpayer can set up an IRA with a:

- bank or other financial institution
- life insurance company
- mutual fund
- stockbroker

Here are some terms and definitions related to IRAs to help people learn more about how the arrangements work:

Traditional IRA: Contributions to a traditional IRA may be [tax-deductible](#). The amounts in a traditional IRA are not generally taxed until you take them out of the account.

Savings Incentive Match Plan for Employees: commonly known as a [SIMPLE IRA](#). It allows employees and employers to contribute to traditional IRAs set up for employees. It is ideal as a start-up retirement savings plan for small employers not currently sponsoring

a retirement plan.

Simplified Employee Pension: Better known simply as an [SEP-IRA](#), it is a written plan that allows an employer to make contributions toward their own retirement and their employees' retirement without getting involved in a more complex qualified plan. An SEP is owned and controlled by the employee.

ROTH IRA: An IRA that is subject to the same rules as a traditional IRA with [certain exceptions](#). For example, a taxpayer cannot deduct contributions to a Roth IRA. However, if the IRA owner satisfies certain requirements, [qualified distributions](#) are tax-free.

Contribution: The amount of money someone puts into their IRA. There are [limits to the amount](#) that someone can put into their IRA annually. These limits are based on the age of the IRA holder and the type of IRA they have.

Distribution: Essentially a withdrawal. This is the amount someone takes out from their IRA.

Required distribution: A taxpayer cannot keep retirement funds in their account indefinitely. Someone with an IRA generally must start [taking withdrawals](#) from their IRA when they reach age 70½. Roth IRAs do not require withdrawals until after the death of the owner.

Rollover: This is when the IRA owner receives a payment from retirement plan and [deposits it into a different IRA](#) within 60 days.

More Information:

- [Publication 560](#), Retirement Plans for Small Business
- [Traditional and Roth IRAs Comparison Chart](#)
- [Publication 590-A](#), Contributions to Individual Retirement Arrangements
- [Publication 590-B](#), Distributions from Individual Retirement Arrangements
- [Retirement: Pensions, IRAs, Social Security](#)
- [Topic No. 412 Lump-Sum Distributions](#)

- [Topic No. 557 Additional Tax on Early Distributions from Traditional and Roth IRAs](#)
- [Topic No. 558 Additional Tax on Early Distributions from Retirement Plans Other Than IRAs](#)
- [Topic No. 413 Rollovers from Retirement Plans](#)
- [Topic No. 451 Individual Retirement Arrangements](#)
- [Topic No. 558 Additional Tax on Early Distributions from Retirement Plans Other Than IRAs](#)
- IRS Tax Map: [Individual Retirement Arrangement](#)
- IRS Tax Map: [Roth IRA](#)

IRS Tax Tips, September 18, 2018, Issue Number: Tax Tip 2018-145.

7. OXYMORONS:

Why do "tug" boats push their barges?

8. INSPIRATIONAL QUOTES:

Believe you can and you are halfway there. - Theodore Roosevelt

9. TODAY IN HISTORY:

On this day in 1537, the first complete English-language Bible (the Matthew Bible) is printed, with translations by William Tyndale and Miles Coverdale.

10. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.

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