



CYPEN & CYPEN

NEWSLETTER

for

November 1, 2018

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

1. COUPLE INDICTED FOR EMBEZZLING \$14.5 MILLION FROM RETIREMENT FUNDS:

A federal grand jury indicted a Red Oak, Texas couple who allegedly embezzled \$14.5 million from retirement plans they managed, U.S. Attorney for the Northern District of Texas Erin Nealy Cox announced today. Jeffrey Richie, 53, and Wendy Richie, 58, co-owners of Vantage Benefits Administrators, were charged with conspiracy, theft from an

employee benefit plan, wire fraud and aggravated identify theft. According to the indictment, Vantage served as third party administrator for dozens of retirement funds, including several 401(k)s. With her husband's knowledge, Ms. Richie -- posing as various beneficiaries -- allegedly submitted fraudulent distribution requests to the retirement fund custodian, Matrix Trust Co. Instead of depositing the money into beneficiaries' accounts, however, she transferred it into Vantage's operating account. The couple allegedly used those funds to pay Vantage payroll and other operating expenses, as well as personal expenses, including mortgage and escrow payments, farming equipment, and home décor. The Richies misappropriated funds from at least 1,000 plan participants in at least 20 employer's retirement plans, prosecutors say. "This couple took advantage of innocent people who were working hard and saving for their future," said Nealy Cox. "We cannot permit such brazen financial misconduct to go unchecked." "An important mission of the Office of Inspector General is to investigate allegations of fraud related to U.S. Department of Labor programs. We will continue to work with DOL's Employee Benefits Security Administration and our law enforcement partners to safeguard retirement benefits intended for American workers," stated Steven Grell, Special Agent-in-Charge, Dallas Region, U.S. Department of Labor Office of Inspector General. "Theft from pension funds violates the law and deprives plan participants of their hard-earned retirement benefits," said Deborah Perry, Employee Benefits Security Administration (EBSA) Regional Director, Dallas. "The U.S. Department of Labor will continue aggressively to investigate fiduciaries and others who misuse assets of private-sector benefit plans." If convicted on all counts, the Richies face up to 81 years in federal prison. The Department of Labor - Office of Inspector General, the Federal Bureau of Investigation, the Department of Labor's Employee Benefits Security Administration, and the Texas State Auditor's Office conducted the investigation. Assistant U.S. Attorney Christopher Stokes is prosecuting the case. Press Release; U.S. Department of Justice, October 25, 2018.

2. MILLENNIALS SAY THAT THEY FIND FINANCIAL PLANNING EXCITING:

Among the generations in the U.S. workforce, Millennials have the strongest instinct to develop a financial plan—yet they feel the most anxious and insecure that they will get it right, according to Northwestern Mutual's 2018 Planning & Progress Study. Twenty-nine percent of Millennials say that financial planning makes them feel "excited and inspired," compared to 12% of Boomers and 22% of Gen Xers who say the same. Fifty-seven

percent of Millennials say they are either “highly disciplined” or “disciplined” financial planners, compared to 49% of Gen Xers and 45% of Boomers. However, 82% of Millennials say their financial planning needs improvement, compared to only 79% of Gen Xers and 63% of Boomers. Only 40% of Millennials say they have the right balance in mind on how much they can afford to spend versus how much they should be saving for the future; this compares to 56% of Boomers and 47% of Gen Xers. Seventy-eight percent of Millennials do not think they have found [the right balance](#) between [present](#) and future financial responsibilities. That compares with only 74% of Gen Xers and 57% of Boomers. Twenty-nine percent of Millennials say they feel afraid, uncomfortable or guilty spending money even when they can afford to. This is true for only 22% of Gen Xers and 16% of Boomers. “Millennials appear to understand more than any other generation the importance of [creating a sound financial plan](#)—yet are the least confident they’ve got it right,” says Emily Holbook, director of planning at Northwestern Mutual. The survey also found that Millennials carry an average of \$36,000 in debt and spent 34% of their monthly income paying it down. Boomers also have \$36,000 in debt; Gen Xers, \$39,000. The Harris Poll conducted the online survey among 2,003 adults in March. Lee Barney, *Plansponsor*, October 23, 2018.

3. INSPECTOR GENERAL WARNS PUBLIC ABOUT CALLER-ID “SPOOFING” SCHEME MISUSING SSA CUSTOMER SERVICE:

The Acting Inspector General of Social Security, Gale Stallworth Stone, is warning citizens about an ongoing caller-ID “spoofing” scheme misusing the Social Security Administration’s (SSA) national customer service phone number. SSA has received numerous reports of questionable phone calls displaying SSA’s 1.800 number on a caller-ID screen. This is a scam; citizens should not engage with those calls or provide any personal information. These reports indicate the calls display the 1.800.772.1213, SSA’s national customer service number, as the incoming number on caller ID. People who have accepted the calls said the caller identifies as an SSA employee. In some cases, the caller states that SSA does not have all of the person’s personal information, such as their Social Security number (SSN), on file. Other callers claim SSA needs additional information so the agency can increase the person’s benefit payment, or that SSA will terminate the person’s benefits if they do not confirm their information. This appears to be a widespread issue, as reports have come from citizens across the country. SSA

employees do not contact citizens by telephone for customer-service purposes, and in some situations, an SSA employee may request the citizen confirm personal information over the phone. However, SSA employees will never threaten you for information or promise a Social Security benefit approval or increase in exchange for information. In those cases, the call is fraudulent, and you should just hang up. "This caller-ID spoofing scheme exploits SSA's trusted reputation, and it shows that scammers will try anything to mislead and harm innocent people," Stone said. "I encourage everyone to remain watchful of these schemes and to alert family members and friends of their prevalence. We will continue to track these scams and warn citizens, so that they can stay several steps ahead of these thieves." The Acting Inspector General urges citizens to avoid providing information such as your SSN or bank account numbers to unknown persons over the phone or internet unless you are certain of who is receiving it. If you receive a suspicious call from someone alleging to be from SSA, you should report that information to the OIG at 1.800.269.0271 or online at <https://oig.ssa.gov/report>. Andrew Cannarsa, OIG Communications Director, Social Security Administration, October 22, 2018.

4. DOL PROPOSES RULE FOR EXPANDING OPEN MULTIPLE EMPLOYER PLANS:

The Department of Labor announced a proposed rule that would expand the use of open multiple employer plans. Under the proposed rule, small businesses could band together to offer employees defined contribution plans. The plans could be offered by associations of employers in a city, county, state or a multistate metropolitan area, or in a particular industry nationwide, according to a DOL news release. Sole proprietors, as well as their families, would also be permitted to join such plans. Professional employer organizations, which are human resources companies that contractually assume certain employment responsibilities for its client employers, could also sponsor plans, the DOL noted. Last week, the Office of Management and Budget approved a DOL proposal that aimed to clarify the statutory definition of employer. The proposed definition includes direct employers "and any other person acting indirectly in the interest of the employer in relation to an employee benefit plan, including a group or association acting for an employer in such a capacity." On August 31, President Donald Trump signed an executive order directing officials at the departments of Labor and Treasury to expand retirement savings options by revisiting existing rules on multiple employer plans that require employers to share a common interest. "Many small businesses would like to offer retirement benefits to

their employees, but are discouraged by the cost and complexity of running their own plans," said Secretary of Labor Alexander Acosta, in a news release. The proposal would give these employers "a simple and less burdensome way to offer valuable retirement benefits to their employees," he added. The DOL said it expects the plans to reduce administrative costs through economies of scale and to strengthen small businesses' hand when negotiating with financial institutions and other service providers. The [proposed rule](#) is scheduled to be published in the Federal Register and will have a 60-day comment period. Attorney Kent Mason with Davis & Harman, who represents numerous plan sponsors and service providers, said the proposed rule is very narrow and maintains "very material restrictions on the ability of small employers to join together in a MEP. Thus, while, the proposal is certainly a step forward, it does not in any way eliminate the need for the open MEP legislation being considered by Congress," like the bipartisan Retirement Enhancement and Savings Act of 2018. Dave Gray, head of retirement products and solutions at [Fidelity Investments](#), applauded the proposal but said more work needs to be done. "The DOL's proposal is a key step, but without additional changes to address continuing impediments posed by commonality and 'one bad apple' requirements, MEPs and (association retirement plans) will continue to be out of reach for many small employers." Amending the "one bad apple" rule would make it so one employer's mistake does not disqualify the entire MEP. Brian Croce, *Pensions & Investments*, October 22, 2018.

5. WHAT IS NEW UPDATE; FOR REVISED GUARANTEE LIMIT:

On October 22, 2018, PBGC announced that, as a result of the indexing rules provided in ERISA, the guarantee limits for single-employer plans that fail in 2019 will be 3.46% higher than the limits that applied for 2018. A [table showing the single-employer plan guarantee limits](#) for various ages and payment forms is available on PBGC's website. The guarantee limits for multiemployer plans are not indexed and therefore have not changed. Pension Benefit Guaranty Corporation October 22, 2018.

6. FUNDED RATIO FOR CORPORATE PENSIONS HITS 10-YEAR HIGH:

The funded status of the 100 largest corporate defined benefit pension plans rose to 94.5% during September from 93.3% at the end of August, its highest level in a decade, according to consulting firm Milliman. The latest data from the Milliman 100 Pension

Funding Index (PFI) shows that the pension plans experienced a \$21 billion increase in funding as a result of an increase in the benchmark corporate bond interest rates used to value pension liabilities. The last time the Milliman 100 funding ratio was higher than it is now was just before the financial crisis when the funded ratio was 99.4%. "September's funded ratio marks a 10-year high and is the closest these plans have been to being fully funded since September 2008," Zorast Wadia, co-author of the Milliman PFI, said in a release. "But the improvement is overshadowed by the market losses experienced over the past couple days, which could very well lead to a reversal of these funding gains." From the end of August to the end of September, the monthly discount rate rose 13 basis points to 4.18% from 4.05%, causing the projected benefit obligation (PBO) for the plans to fall by \$27 billion. However, this was offset by a \$6 billion decrease from investment losses. The market value of assets declined by \$6 billion as a result of September's 0.14% investment loss to \$1.540 trillion, from \$1.546 trillion at the end of August. By comparison, the 2018 Milliman Pension Funding Study reported that the monthly median expected investment return during 2017 was 0.55%, which is 6.8% on an annualized basis. Meanwhile, the funded status deficit improved by \$31 billion, which was attributed to above-average investment returns and interest rate gains during the quarter. Asset gained 1.92% in the third quarter and discounts rates increased by six basis points. The funded ratio of the Milliman 100 companies was 92.7% at the end of the second quarter. Milliman said that under an optimistic forecast, which would see interest rates rise to 4.33% by the end of 2018, and 4.93% by the end of 2019, with 10.8% annual returns on assets, the funded ratio would climb to 98% by the end of 2018 and 114% by the end of 2019. But under a pessimistic forecast, with a 4.03% discount rate at the end of 2018, and 3.43% by the end of 2019, with 2.8% annual returns, the funded ratio would decline to 93% by the end of 2018, and 85% by the end of 2019. According to Milliman, corporate plan sponsors contributed \$62 billion to their plans in fiscal year 2017, bringing the year's total assets to a record \$1.55 trillion. That was 45% more than the \$42.6 billion contributed in 2016, with 17 of the employers contributing at least \$1 billion, and seven contributing more than \$2 billion. *Chief Investment Officer*, October 17, 2018.

7. SOCIAL SECURITY BENEFITS TO INCREASE IN 2019:

Each year we announce the annual cost-of-living adjustment (COLA). Usually there is an increase in the Social Security and Supplemental Security Income (SSI) benefit amount

people receive each month, starting the following January. By law, federal benefits increase when the cost of living rises, as measured by the Department of Labor's Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The CPI-W rises when prices increase for the things the average consumer buys. This means that when prices for goods and services we purchase become more expensive, on average, the COLA increases monthly benefit levels and helps you keep up with the changing cost of living. As a result, more than 67 million Americans will see a 2.8 percent increase in their Social Security and SSI benefits in 2019. January 2019 marks other changes that will happen based on the increase in the national average wage index. For example, the maximum amount of earnings subject to Social Security payroll tax, as well as the retirement earnings test exempt amount, will change in 2019. Want to know your new benefit amount as soon as possible? In December 2018, we will post Social Security COLA notices online for retirement, survivors, and disability beneficiaries who have a *my Social Security* account. You will be able to view and save these COLA notices securely via the Message Center inside *my Social Security*. Be the first to know! Sign up for or log in to your personal [my Social Security account](#) today and choose email or text under "Message Center Preferences" to receive courtesy notifications so you will not miss your electronic [COLA notice!](#) This year, you will still receive your COLA notice by mail. In the future, you will be able to choose whether you receive your notice online instead of on paper. Online notices will not be available to representative payees, individuals with foreign mailing addresses, or those who pay higher Medicare premiums due to their income. We plan to expand the availability of COLA notices to additional online customers in the future. You can find more information about the 2019 COLA [here](#). Jim Borland, Acting Deputy Commissioner for Communications, Social Security Administration, October 11, 2018.

8. DID YOU KNOW BENJAMIN FRANKLIN SAID THIS?:

"Don't throw stones at your neighbors, if your own windows are glass."

9. OXYMORONS:

If a word is misspelled in the dictionary, how would we ever know?

10. INSPIRATIONAL QUOTES:

My attitude is that if you push me towards something that you think is a weakness, then I will turn that perceived weakness into a strength. - Michael Jordan

11. TODAY IN HISTORY:

On this day in 1979, Tanker Burmah Agate off Galveston Bay, Texas, spills 10.7 m gallons of oil, in US's worst oil spill disaster.

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

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