



CYPEN & CYPEN

NEWSLETTER

for

October 25, 2018

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

1. PENSION BENEFIT GUARANTY CORPORATION PREMIUM RATES:

Flat-rate Premiums

The per-participant flat premium rate for plan years beginning in 2019 is \$80 for single-employer plans (up from a 2018 rate of \$74) and \$29 for multiemployer plans (up from a 2018 rate of \$28). The increase in the single-employer rate was provided in The Bipartisan Budget Act of 2015. The increase in the multiemployer rate is due to indexing.

Variable-rate Premiums (single-employer plans only)

For plan years beginning in 2019, the variable-rate premium (VRP) for single-employer plans is \$43 per \$1,000 of unfunded vested benefits (UVBs), up from a 2018 rate of \$38. This \$5 increase consists of \$4 provided in The Bipartisan Budget Act of 2015 (BBA 2015) and \$1 resulting from indexing. For 2019, the VRP is capped at \$541 times the number of participants (up from a 2018 cap of \$523). Plans sponsored by small employers (generally fewer than 25 employees) may be subject to a lower cap. Multiemployer plans do not pay a VRP.

Current and Historical Information

PBGC's [Pension Insurance Data Tables](#) contain a complete history of premium rates.

Increases After 2019

After 2019, all rates are subject to indexing. There are no scheduled increases (other than indexing) for years after 2019.

Termination Premiums

For certain distress or involuntary terminations, a special termination premium must be paid to PBGC for three years. For more information, see [Termination Premiums](#).

Pension Benefit Guaranty Corporation, 2019.

2. SCAMMERS DEMAND GIFT CARDS:

Gift cards are a great way to give a gift. But did you know they are also a scammer's favorite way to steal money? According to the Federal Trade Commission's (FTC) new [Data Spotlight](#), more scammers are demanding payment with a gift card than ever before – a whopping 270 percent increase since 2015.

Gift cards are for gifts, not for payments. If someone calls with urgent news or a convincing story and then pressures you to pay them by buying a gift card, like an iTunes or Google Play card, and then giving them the codes on the back of the card – stop. It is a scam. Gift cards are the number one payment method that imposters demand. They might

pose as IRS officials and say you are in trouble for not paying taxes; or a family member with an emergency; or a public utility company threatening to shut off your water; or even a service member selling something before deployment. Or they might call with great news – you have won a contest or a prize! But to get it, you need to pay fees with a gift card. Scammers will say anything to get your money. And they know how to play into your fears, hopes or sympathies. They like gift cards because, once they have got the code on the back, the money is gone and almost impossible to trace. But knowing how these scams work can help you avoid them, and you can help even more by passing on the information to people you know. If you paid a scammer with a gift card, report it as soon as possible. Call the card company and tell them the gift card was used in a scam. Here is contact information for some of the gift card companies that scammers use most often. Then, [tell the FTC](#) about it – or any other scam – at [ftc.gov/complaint](https://www.ftc.gov/complaint). Your reports may help law enforcement agencies launch investigations that could stop imposters and other fraudsters in their tracks.

Report Scams

Amazon

- Call 1.888.280.4331
- Learn about about Amazon gift card scams [here](#).

Google Play

- Call 1.855.466.4438
- Report gift card scams online [here](#).
- Learn about Google Play gift card scams [here](#).

iTunes

- Call 1.800.275.2273 then press “6” for other, then say “operator” to be connected to a live representative.
- Learn about iTunes gift card scams and how to report them [here](#).

Steam

- If you have a Steam account, you can report gift card scams online [here](#).
- Learn about Steam gift card scams [here](#).

MoneyPak

- Call 1.866.795.7969
- Report a MoneyPak card scam online [here](#).

Cristina Miranda, Division of Consumer and Business Education, Federal Trade Commission, October 16, 2018.

3. FDIC ENHANCES TOOL TO PREVENT ELDER FINANCIAL EXPLOITATION:

Press Release

The Federal Deposit Insurance Corporation (FDIC) announced the release of a Spanish-language version of Money Smart for Older Adults. The curriculum, now offered in English and Spanish, has been updated to provide new information and resources to help older adults and their caregivers recognize and prevent fraud, scams, and other types of financial exploitation. The curriculum also includes information to help older adults plan for a secure financial future and make informed financial decisions. Money Smart for Older Adults was developed jointly by the FDIC and the Bureau of Consumer Financial Protection (Bureau) to provide an instructor-led training module that can be used by trusted individuals who serve the older adult population. Instructors often include representatives of social service agencies, law enforcement and financial institutions, as well as legal professionals and other volunteers. The three-part module consists of an instructor guide, a participant/resource guide and a PowerPoint presentation that supplements classroom instruction. The curriculum can be [downloaded](#) from the FDIC website and the resource guide for consumers can be ordered in bulk through the [Bureau](#). The materials are free of charge. Success stories about the Money Smart curriculum can be [found on the FDIC website](#). Media Contact: LaJuan Williams-Young, 202.898.3876, williams-young@fdic.gov. Federal Deposit Insurance Corporation, PR-75-2018, October 15, 2018.

4. 2019 MEDICARE PARTS A & B PREMIUMS AND DEDUCTIBLES:

Coverage, Medicare Parts A & B

On October 12, 2018, the Centers for Medicare & Medicaid Services (CMS) released the 2019 premiums, deductibles and coinsurance amounts for the Medicare Part A and Part B programs.

Medicare Part B Premiums/Deductibles

Medicare Part B covers physician services, outpatient hospital services, certain home health services, durable medical equipment and certain other medical and health services not covered by Medicare Part A. The standard monthly premium for Medicare Part B enrollees will be \$135.50 for 2019, an increase of \$1.50 from \$134 in 2018. An estimated 2 million Medicare beneficiaries (about 3.5%) will pay less than the full Part B standard monthly premium amount in 2019 due to the statutory hold harmless provision, which limits certain beneficiaries' increase in their Part B premium to be no greater than the increase in their Social Security benefits. The annual deductible for all Medicare Part B beneficiaries is \$185 in 2019, an increase of \$2 from the annual deductible \$183 in 2018. Premiums and deductibles for Medicare Advantage and Medicare Prescription Drug plans are already finalized and are unaffected by this announcement. Since 2007, a beneficiary's Part B monthly premium is based on his or her income. These income-related monthly adjustment amounts (IRMAA) affect roughly 5 percent of people with Medicare Part B. Premiums for high-income beneficiaries who are married and lived with their spouse at any time during the taxable year, but file a separate return, are as follows

Medicare Part A Premiums/Deductibles

Medicare Part A covers inpatient hospital, skilled nursing facility, and some home health care services. About 99 percent of Medicare beneficiaries do not have a Part A premium since they have at least 40 quarters of Medicare-covered employment. The Medicare Part A inpatient hospital deductible that beneficiaries will pay when admitted to the hospital will be \$1,364 in 2019, an increase of \$24 from \$1,340 in 2018. The Part A inpatient hospital deductible covers beneficiaries' share of costs for the first 60 days of Medicare-covered

inpatient hospital care in a benefit period. In 2019, beneficiaries must pay a coinsurance amount of \$341 per day for the 61st through 90th day of a hospitalization (\$335 in 2018) in a benefit period and \$682 per day for lifetime reserve days (\$670 in 2018). For beneficiaries in skilled nursing facilities, the daily coinsurance for days 21 through 100 of extended care services in a benefit period will be \$170.50 in 2019 (\$167.50 in 2018). Enrollees age 65 and over who have fewer than 40 quarters of coverage and certain persons with disabilities pay a monthly premium in order to voluntarily enroll in Medicare Part A. Individuals who had at least 30 quarters of coverage or were married to someone with at least 30 quarters of coverage may buy into Part A at a reduced monthly premium rate, which will be \$240 in 2019, an \$8 increase from 2018. Certain uninsured aged individuals who have less than 30 quarters of coverage and certain individuals with disabilities who have exhausted other entitlement will pay the full premium, which will be \$437 a month, a \$15 increase from 2018. For more information on the 2019 Medicare Parts A and B premiums and deductibles (CMS-8068-N, CMS-8069-N, CMS-8070-N), please visit <https://www.federalregister.gov/public-inspection>. Center for Medicare & Medicaid Services, October 12, 2018.

5. 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 won’t 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.

6. 2019 INCREASES FOR RETIREMENT PLANS, SOCIAL SECURITY:

The Social Security Administration just announced benefit increases effective in 2019. Current retirees will receive a cost-of-living increase, beginning in January 2019, of 2.8%, reflecting the increase in CPI-W between the 3rd quarter of 2017 and the 3rd quarter of 2018. In addition, the maximum amount of earnings subject to Social Security tax will increase in 2019 from \$128,400 to \$132,900, based on a 3.5% increase in the ‘national average wage’ during 2017. These changes will affect benefits for currently retired individuals, as well as those contemplating retirement. Employers who sponsor retirement plans that are ‘coordinated’ with Social Security in some fashion will also see an impact on benefits earned and payable under such plans.

IRS limits

IRS will soon release limits applicable to retirement plans for various purposes in 2019, based on a 2.64% increase in CPI-U between the 3rd quarter of 2017 and the 3rd quarter of 2018. Based on this increase, we expect increases in some, but not all, limits applicable to retirement plans in 2019.

PBGC amounts

The increase in national average wages also drives some key amounts used in calculating PBGC premiums.

We note that 2019 headcount premium (\$80) is set by law (but will increase based on national average wages in future years), while the variable premium rate (4.3%) and variable premium cap (\$541) are based on the 3.5% increase in national average wages during 2017. *October Three*, October 11, 2018.

7. U.S. DEPARTMENT OF LABOR ANNOUNCES RECORD \$304 MILLION IN RECOVERED WAGES FOR WORKERS IN FISCAL YEAR 2018:

The U.S. Department of Labor announced that the Wage and Hour Division (WHD) recovered a record \$304 million in wages owed to workers in Fiscal Year 2018. WHD also set a new record for compliance assistance events in FY 2018, holding 3,643 educational outreach events – including on the ground presentations and trainings – to help job creators understand their responsibilities under the law. “Through vigorous enforcement and compliance assistance, the Department of Labor is committed to ensuring that workers receive the wages they have earned,” said U.S. Secretary of Labor Alexander Acosta. “These record-breaking numbers confirm the Department’s strong commitment to enforcing the law and providing employers with the tools they need to comply with the law.” WHD today also announced a six-month extension of the voluntary Payroll Audit Independent Determination (PAID) program. PAID is a compliance initiative that helps workers receive more back wages due in an expedited manner – without having to wait for lengthy investigations to conclude and court cases to resolve. WHD encourages employers to audit their pay practices and consider participating. More information about the program is available at www.dol.gov/whd/PAID. Contact: Megan Sweeney, 202.693.4661, sweeney.megan.p@dol.gov, Department of Labor, Wage and Hour Division, Release Number: 18-1643-NAT, October 9, 2018.

8. U.S. CENSUS BUREAU RELEASES MORE DATA LINKING COLLEGE DEGREES AND EARNINGS:

The U.S. Census Bureau released new data on labor market outcomes for college graduates as part of the [Post-Secondary Employment Outcomes](#) (PSEO). These new data feature public institutions from Colorado, and include certificate and associate degrees, in addition to bachelor’s and more advanced degrees. PSEO is a public-use data product produced in cooperation with higher education institutional systems to provide a

comprehensive look at degree attainment and graduate earnings nationwide. The Census Bureau is also releasing a web application which allows users to easily browse the earnings data from PSEO. The Census Bureau's PSEO pilot research program is conducted in cooperation with higher education institutional systems to examine college degree attainment and graduate earnings. Through agreements with the Census Bureau, the Colorado Department of Higher Education and the University of Texas (released in March 2018) provided administrative education data on enrollment and graduation, which the Census Bureau matched with national jobs statistics produced by the Census Bureau's [Longitudinal Employer-Household Dynamics program](#) in the Center for Economic Studies. No news release associated with this product. Tip Sheet only. Julie Iriondo, Public Information Office, 301.763.3030 / pio@census.gov , census.gov, U.S. Census Bureau, TIP SHEET: CB18-TPS.50.

9. SWITCHING MEDIGAP PLANS IS TRICKY:

When Thomas Uttormark turned 65 in 2010, he researched his Medigap options on the Medicare.gov website and chose a plan with a premium of around \$100 a month. As his premium inched up over the next two years, he decided to apply to another insurance company to see if he could reduce the cost of his policy. Since the federal government dictates the coverage amounts under each of the [10 Medigap](#) plans, he reasoned, his existing insurer's Plan N provided exactly the same coverage as any other insurer's Plan N – and the new plan might be cheaper. “I thought it was no big deal to switch,” said the 73-year-old Uttormark. However, switching did prove to be a big deal. His application was denied. He suspects it was due to his pre-existing conditions, which included a routine gallbladder surgery before he retired, and his cholesterol, blood pressure and acid reflux conditions, which are fully controlled with medications. The insurer did not give him a reason for the denial. Uttormark ran headlong into a maze of federal regulations that determine whether, when, and how a retiree can transfer from one insurer's Medigap plan to another insurer's Medigap. One in four people enrolled in traditional Medicare have Medigap supplemental insurance – about 10 million retirees – and are affected by these restrictive regulations. They are “particularly confusing,” said Casey Schwarz, the senior counsel for education and federal policy for the Medicare Rights [Center](#) in New York and Washington. She said that people who've just signed up for Medicare Parts A and B routinely call her organization because they are having trouble sorting out their options

and what they will be permitted to do in the future if they choose either Medigap, which is supplemental coverage for traditional Medicare, or Medicare Advantage private insurance after initially signing up for Medicare Parts A and B. A handful of states have looser regulations than the federal rules – California, Connecticut, Maine, Massachusetts, Missouri, New York, and Oregon – and allow retirees to move more freely among various Medigap plans, though the states also have their own restrictions. Schwarz explained that the insurance company denied coverage to Uttormark because he did not qualify for what the federal government calls “guaranteed issue.” Under guaranteed issue, there is only one time when every Medicare beneficiary is assured access to a Medigap policy: when they first sign up for Medicare Part B. At this time, insurers can neither deny coverage based on a pre-existing condition nor charge a higher premium if an applicant has a specific health condition. Another guaranteed issue period applies to limited numbers of retirees. It gives retirees the right to buy a Medigap policy – even people with pre-existing conditions – if they lose their previous coverage [through no fault of their own](#). Perhaps their current Medigap or Medicare Advantage insurer went bankrupt or left the state, or their employer ended its Medicare supplement for retirees. When this occurs, however, the retiree must select a new policy within 63 days of losing their old coverage. Uttormark didn’t qualify for guaranteed issue because he was *choosing* to drop his Medigap policy for a less expensive one. Insurers can rightly “refuse to sell him a policy, can charge him more for pre-existing conditions, or refuse to cover his pre-existing conditions,” Schwarz said. The federal rules also provide an opportunity to switch plans if retirees selected Medicare Advantage as their first form of insurance when they enrolled in Medicare. In this case, they are permitted to move into any Medigap policy sold in their area but they, too, have a restriction: they must do so within the first year of their initial Medicare enrollment. “Medicare beneficiaries who miss these windows of opportunity may unwittingly forgo the chance to purchase a Medigap policy later in life,” the Kaiser Family Foundation said in a recent policy [brief](#) detailing the federal and state regulations. The Medicare.gov [website](#) describes the circumstances in which beneficiaries qualify for federal guaranteed issue. Some state regulations, which are detailed on the Kaiser Foundation [website](#), are less stringent than what is allowed under federal rules. Three states – Connecticut, Massachusetts, and New York – require that insurers allow all retirees to buy a new policy or move at any time among the various Medigap plans sold in that state. Maine allows retirees to switch, but only to Plan A, the least generous plan, and only once a year.

California, Missouri, and Oregon also require that insurers accept policyholders who want a different Medigap policy, but they can do so only if they are switching to a new plan with equal or less coverage than their existing plan. Uttormark, who lives in Houston, said he'll hang on to his current Medigap plan. He's happy enough with the coverage and can still afford the monthly premiums – now \$160. But he learned something in the process. "I wish I'd known at the start that I was making a life-long decision" in choosing a Medigap insurer, he said. "I would have put in more effort and perhaps decided on a different plan." *Center for Retirement Research at Boston College, October 9, 2018.*

10. HOW DOES DELAYED RETIREMENT AFFECT MORTALITY AND HEALTH?:

Abstract

Older Americans have been retiring later for a number of reasons, including jobs that are becoming less physically demanding, the shift from defined benefit to defined contribution pensions, and changes in Social Security's incentives. What are the implications of working longer for workers' mortality and health? Answering this question is complicated, because work and health are jointly determined – healthy people with lower mortality tend to work longer. Previous studies looking at the causal effect of work on mortality and health have found mixed results and have tended to focus on the effects of early retirement, not delayed retirement. A simple assumption would be that the relationship between them is symmetric. But it is unclear that that assumption is correct – after all, people who decide to keep working are likely a healthier group than those who stop early. This paper uses administrative data from the Netherlands and exploits policy variation designed to delay retirement to explore the links between work and health outcomes.

The paper found that

- Working longer is associated with lower mortality, depression, and diabetes risk for both men and women in ordinary linear regression models.
- In an instrumental variable approach that takes into account the joint relationship between work and mortality, delayed retirement reduces 5-year mortality rate for men ages 62-65 by 2.4 percentage points, or a 32-percent reduction relative to non-workers.
- However, the same analysis finds no significant relationship between delayed retirement and the health conditions studied.

- The effect on male life expectancy depends on how permanent the effect is. A 32-percent reduction in mortality increases age-60 life expectancy by about three months if the effect applies only to the ages studied, but longer if the effect is permanent.
- For women, the weakness of the instrument variable results in insignificant results.

The policy implications of the findings are

- Policies that delay retirement may increase longevity, especially for men, but have no detectable effect on depression or diabetes during one's 60s.
- As they consider policies that could lengthen careers, policymakers could take into account the possibility that lives may also be extended, and consider the potential effects on the benefits paid out.

[DOWNLOAD FULL PAPER](#)

Alice Zulkarnain and Matthew S. Rutledge, *Center for Retirement Research at Boston College*, WP#2018-11, October 2018.

11. HOW CAN WE KEEP LOAN DEFAULTS FROM DRAINING \$2 TRILLION FROM AMERICA'S 401(K) ACCOUNTS?:

Loan Leakage

Executive summary

While financial wellness remains an important topic within the retirement plan landscape, a little understood yet disturbing problem in defined contribution plans has escaped greater scrutiny: Retirement plan leakage from 401(k) loan defaults.

America's \$2 trillion retirement loan default dilemma

Deloitte's analysis finds that more than \$2 trillion in potential future account balances will be lost due to loan defaults from 401(k) accounts over the next 10 years, potentially threatening the retirement security of millions of Americans and undermining years of efforts by plan sponsors and providers to keep money in the retirement system. This figure includes the cumulative effect of loan defaults upon retirement, including taxes, early

withdrawal penalties, lost earnings, and any early cashout of defaulting participants' full plan balances. For a typical defaulting borrower, this represents approximately \$300k in lost retirement security over a career. With the growth of Defined Contribution (DC) plans as the primary savings vehicle for most Americans, the industry has focused its efforts on strategies to support participant retirement readiness. An overlooked issue is the significant drain on participants' accounts caused by loan defaults. Leakage from 401(k) loan defaults not only derails retirement readiness for financially stressed employees, but it may also introduce risk to plan fiduciaries. A growing fiduciary risk for plan sponsors As fiduciaries of the retirement plan assets that are critical to employees' financial wellness, plan sponsors cannot ignore the growing risk and potential liability represented by loan default leakage. While offering plan loans is a voluntary and not a fiduciary function, many aspects of loan administration fall under the fiduciary standard, which may carry risk for plan sponsors. The Department of Labor states that loan programs should not diminish a borrower's retirement income or cause loss to the plan, and views loans as investments, requiring the same fiduciary oversight as any other plan investment option. Yet in practice, loans are viewed as an administrative burden passed on to the recordkeeper with minimal oversight. In the event of an economic downturn, borrowing tends to increase, and the magnitude of these losses grows, leaving fiduciary responsibility potentially exposed. A majority (90 percent) of 401(k) plans offer a loan feature and nearly 40 percent of participants have taken advantage of a loan offering to finance current consumption. Although many participants repay their loans as intended, 10 percent of loans default each year. While on the surface it may seem like a small number, the compounding effects from loan defaults add up to a much larger number in lost savings. Leakage from 401(k) loan defaults not only impairs employee financial wellness but may also place fiduciaries at risk. Exploring mechanisms to prevent loan leakage Plan sponsors, providers, and policymakers have taken steps to reduce loan leakage by limiting loan options (e.g., allowable amount, for a particular purpose, number allotted), but more awareness is necessary to mitigate inherent risks tied to participant financial wellness. One of the main reasons for loan leakage is due in part to participants who are under financial stress, who typically withdraw financial assets in a time of need and are unable to repay them -- resulting in default. Eliminating loans altogether is likely not the answer, as loan programs tend to increase plan participation and contribution levels. However, finding the right balance of product innovation, technology, plan design, and education considerations

could help plug the leak. Deloitte Retirement Plan Loan Leakage, 2018.

12. DID YOU KNOW BENJAMIN FRANKLIN SAID THIS?:

“An investment in knowledge always pays the best interest.”

13. OXYMORONS:

Why is the third hand on the watch called the second hand?

14. INSPIRATIONAL QUOTES:

Somewhere, something incredible is waiting to be known. - Sharon Begley

15. TODAY IN HISTORY:

On this day in 1946, the first trial against nazi war criminals in Nuremberg was held.

REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.

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