



# CYPEN & CYPEN NEWSLETTER for February 28, 2019

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

## **1. RETIRING EARLIER THAN PLANNED: WHAT MATTERS MOST?:**

### **Introduction**

Many workers seem to have gotten the message that working longer may be necessary to boost their retirement security. The share of workers reporting that they expect to work past age 65 rose from 16 percent in 1991 to 48 percent in 2018. But such intentions often go awry; data from the Health and Retirement Study indicate that 37 percent of workers retire earlier than planned. This brief, based on a recent paper, reports on a “horse race” to identify which unexpected changes (or “shocks”) are most likely to interfere with retirement plans. The brief proceeds as follows. The first section defines and quantifies earlier-than-planned retirement. The second section describes four potential types of shocks: health, employment, family and financial. The third section presents the results on which shocks matter the most, taking into account both their potency and prevalence. The

final section concludes that health shocks are most important in driving workers to an earlier retirement, followed by job-related changes and family transitions. However, these factors only partly explain early retirements, which suggests that other factors that are harder to measure also play a role.

## **Conclusion**

A variety of shocks could force people to retire earlier than planned. This analysis suggests that health likely plays the largest role in early retirement, both because people in bad initial health overestimate how long they can work and because health often worsens before the age at which they planned to retire. Job loss is also important, although the effect is mitigated by the fact that some people are able to find a new job and those people are more likely to make it to their planned age. Still, for those who fail to find a new job, the effect seems to be discouragement and ultimately an early retirement. With respect to family transitions, having a parent move in seems to be a large burden on people who experience it, but it is not a frequent enough occurrence to drive early retirement in the population. Finally, even though financial shocks appear somewhat common, they tend to have a small and not statistically significant effect on driving early retirement. Of course, more research in this area is needed, since the factors considered in this paper explain only about a quarter of early retirements.

Alicia H. Munnell, Matthew S. Rutledge, and Geoffrey T. Sanzenbacher, Number 19-3, Center for Retirement Research at Boston College, February 2019.

## **2. ISS RELEASES ITS 2019 PAY-FOR-PERFORMANCE METHODOLOGY:**

Institutional Shareholder Services Inc. (ISS) released its updated pay-for-performance methodology for US companies. The updated methodology applies beginning on February 1, 2019. In February 2019, Institutional Shareholder Services Inc. (ISS) released its updated [pay-for-performance methodology](#) for US companies. This methodology consists of both a quantitative and a qualitative review of executive pay and company performance. ISS is making certain minor changes and clarifications to its pay-for-performance methodology for shareholder meetings taking place on or after February 1, 2019.

The changes include:

If five years of chief executive officer (CEO) pay or total shareholder return (TSR) data are unavailable, the pay-TSR alignment (PTA) measure, which is used in the quantitative evaluation and is intended to measure long-term directional alignment between executive pay and TSR, will be based on four years of data. If four years of data are unavailable, the PTA measure will be excluded. With respect to the factor concerning the strength of

performance-based compensation, for purposes of the qualitative evaluation, companies should provide clear disclosures regarding the reconciliation of generally accepted accounting principles (GAAP) and non-GAAP results. The white paper states that the pay-for-performance methodology continues to evolve with investor expectations, and that ISS welcomes feedback on the methodology from all market participants. For more information on proxy advisory firms and on ISS proxy voting recommendations, see Practice Note, *Developing Relationships with Proxy Advisory Firms and Handling ISS Proxy Voting Recommendations*. This document is free to view but most Practical Law documents require a subscription. They can be accessed by signing in or requesting a free trial of Practical Law.

Thomson Reuters, February 12, 2019.

### **3. IT'S THE MOUNT EVEREST OF INSURANCE FRAUDS:**

If you're planning a trip to Nepal, don't count on having travel insurance. International insurance companies are threatening to end coverage if an avalanche of fraud perpetrated by Mount Everest trek operators, guides, helicopter evacuation companies and hospitals isn't brought to a halt. They claim a conspiracy to encourage unnecessary evacuations by exaggerating the danger of medical symptoms that routinely occur at high altitudes, resulting in millions of dollars' worth of potentially fraudulent insurance claims last year. Guides who stand to earn a few hundred dollars for the arduous climbs can earn thousands in kickbacks by pushing for emergency evacuations in mild cases of mountain sickness and other illnesses. Helicopter companies inflate prices for rescues and hospitals overcharge for services. Some trekking companies, which take a percentage of rescue fees from helicopter companies, make more money through evacuations than they do charging for hikes. Read the full article [here](#). Today's General Counsel, February 6, 2019.

### **4. AVERAGE FUNDING RATIO FOR PUBLIC PENSION PLANS INCREASES IN 2018-NCPERS SURVEY:**

The average funding ratio for public pension plans rose in 2018 from the year before, while the average one-year investment returns jumped significantly on a year-over-year basis, said results of an annual survey by the National Conference on Public Employee Retirement Systems. Results of the [2018 NCPERS Public Retirement Systems Study](#) showed that the average funding ratio for all plans that responded rose to 72.6% in 2018, from 71.4% in 2017. For pension plans that participated both years, the average funding ratio jumped to 72.2%. "The nation's public pension systems are constantly adapting plan designs and assumptions to strengthen their ability to provide a secure retirement for millions of retired public servants," said Hank H. Kim, executive director and chief counsel, in a news release announcing the survey results. Meanwhile, one-year investment returns averaged 13.4% for all pension plans reporting in 2018, well above the

7.8% average return reported in 2017. The survey also showed that the average annual investment return assumption dropped to 7.34% in 2018, from 7.49% in 2017. Nearly two-thirds of survey respondents -- 65% -- had reduced their assumptions, with 18% saying they were considering doing so. "Pension fund results improved in 2018 even as they became more conservative in their assumptions," Mr. Kim added. The survey received responses from 167 state and local government pension funds totaling more than \$2.5 trillion in assets. Of the respondents, 62% were local pension funds, while 38% were state plans. NCPERS conducted the eighth annual study from September through December in partnership with Cobalt Community Research. James Comtois, *Pensions & Investments*, February 5, 2019.

#### **5. INTEL COMPUTES \$480 MILLION PLAN CONTRIBUTION IN 2018:**

[Intel Corp.](#), Santa Clara, Calif., contributed \$480 million to its global defined benefit plans in 2018, the computer hardware company disclosed in a 10-K filing with the SEC. The company did not provide a summary of how the contribution was split by region, but a spokeswoman said in an email most of the funding went to a U.S. plan. Intel in its 10-K filing said its most significant defined benefit plans are in the U.S., Ireland, Germany and Israel. In 2017, Intel had contributed \$471 million to its global DB plans. As of Dec. 31, according to the 10-K filing, Intel had \$2.55 billion in global defined benefit plan assets and \$3.43 billion in projected benefit obligations, for a funding ratio of 74.3%, up from 59.5% a year earlier. The discount rate was 3% as of Dec. 31, down from 3.2% the previous year. Those numbers were also not split by region. Rob Kozlowski, *Pensions & Investments*, February 4, 2019.

#### **6. FLORIDA PENSIONS INVESTIGATE POTENTIAL DISCRIMINATORY BEHAVIOR BY AIRBNB:**

The Florida State Board of Administration (SBA) initiated a 90-day review period of Airbnb concerning allegations from the state's governor, members of non-profit organizations, and state citizens citing that the company has in some shape or form practiced or encouraged discriminatory practices against Israel. Florida state legislation directed the SBA in 2016 to draft a "scrutinized companies" list, comprised of companies "that participate in a boycott of Israel including actions that limit commercial relations with Israel of Israeli-controlled territories in a discriminatory manner," according to a report from the \$201 billion pension. If the SBA cannot find compelling evidence that Airbnb is not participating in such practices against Israel at the conclusion of its investigation, retirement systems based in the sunshine state will be prohibited from directly acquiring securities of the company if it goes public, and all Florida state employees will be barred from purchasing Airbnb listings during official business trips, a spokesperson for the SBA told CIO. Indirect holdings are exempt from the prohibition (such as commingled accounts,

index funds, etc.), but the pension will submit letters to the fund managers requesting they divest their holdings from the company and avoid buying shares from the company in the future. In a letter in response to the allegations presented to the SBA during its January board meeting, a representative of Airbnb argued that the company “is not boycotting Israel, Israeli businesses, nor the more than 20,000 Israeli hosts who are active on the Airbnb platform. Airbnb has a significant investment in Israel and will continue to invest in Israel.” “Over the last five years, Airbnb has invested \$20 million in support of our community and businesses activities in Israel. To the best of Airbnb’s knowledge, the company is one of the leading investors in Israel travel and tourism,” the company argued in a prepared statement. The company’s November 2018 decision to ban future reservations for listings located in the West Bank is founded on its continued stance on permitting reservations in homes that are based in disputed territories. The company’s framework involves evaluating whether the “existence of listings is contributing to existing human suffering,” and determining whether the existence of listings in the occupied territory has a direct connection to the larger dispute in the region. Other companies on the list of scrutinized companies that boycott Israel include Luxembourg-based Betsah Invest, Cactus, UK-based Co-operative Group, and Turkey-based Guloguz Dis Deposu Ticaret Ve Pazarlama. *Chief Investment Officer*, February 4, 2019.

## **7. FINANCIAL LITERACY PROGRAMS FOR LOCAL GOVERNMENT EMPLOYEES: Executive Summary**

For many Americans, making sound, day-to-day financial decisions is a struggle. The statistics are startling but clear:

**61 percent** can’t answer more than three of five questions correctly on a financial literacy quiz.

**54 percent** don’t have enough money set aside to cover three months of unexpected expenses.

**16 percent** spend more than 20 hours each month worrying about personal financial issues while at work.

When it comes to financial literacy, there is no need to read between the lines--too many Americans don’t understand basic financial concepts and how to use them to build long-term financial security. State and local government workers face increasingly complex challenges in financial decision making. Since the range of reforms that followed the Great Recession, many public employees must navigate different options and structures for retirement and other benefits, many of which are less paternalistic than those previously in place. At the same time, these options require more decision-making responsibility by the individual--and often pose a greater level of risk. Public sector workers are not confident

that they will be able to retire when they want, that they are saving enough money for retirement, or that they will receive all the benefits they are entitled to once they do retire. Local government employers have good reason to care about the financial health of their workforce. First, nonwage benefit compensation plays an important role in helping local governments compete in the labor market and attract and retain the workforce that they want. When people are more in control of their finances, they are less distracted at work and can focus on doing their jobs more effectively. To help employers reach these goals, the Center for State and Local Government Excellence (SLGE) has developed this practitioner-oriented report, providing a landscape assessment of local government employee financial literacy programs. It combines:

- Background on the local government workforce
- A review of the literature on what is known about financial literacy
- Data from a survey of elected officials and human resources (HR) directors from local governments across the United States
- Insights gained from discussions with city managers and budget officers
- Recommendations for practitioners, focusing on program topic and mode, tailoring programs to diverse groups (e.g., local workers for whom English is a second language, those with lower levels of income or education), and assessing results.

Research shows that financial literacy programs result in:

- More productive and engaged workers
- Improved morale
- Lower absenteeism
- Lower stress
- Lower health care costs.

### **Conclusion**

This report has presented a landscape assessment of local government employee financial literacy programs by providing background on the local government workforce, conducting a review of the literature on what is known about financial literacy, collecting and reporting on data regarding financial literacy program offerings from a survey of elected officials and human resource directors from local governments across the United States, providing insights gained from discussions with city managers and budget officers, and outlining recommendations for practitioners, focusing on program topic and mode, tailoring programs to diverse groups (e.g., local workers for whom English is a second language, those with lower levels of income or education), and assessing results. Understanding the landscape of employer-provided financial literacy programs for local

government workers is a critical first step in identifying approaches for increasing financial literacy and the sound financial decisions that go along with a solid understanding of finance-related concepts. In a sense, it is one piece--albeit a very important piece--needed to solve a larger puzzle. To provide information that helps individuals to take control of their finances, it is critical not only to understand what programs employers are offering, but to also assess how employees feel about the programs that are being offered to them and what they are looking for in a financial literacy program. By exploring financial literacy programs from the local government employee perspective, employers can then understand where the gaps are between what is being offered and what employees need. It is only then that effective solutions can be developed to help bridge the gap and local governments can empower their workforces to make sound financial decisions that improve their health and well-being, along with the employer's bottom line. Access the full report [here](#). Rivka Liss-Levinson, PhD, Joshua Franzel, PhD and Gerald Young, MPA, Center for State and Local Government Excellence, Center for State and Local Government Excellence, January 2019.

#### **8. IS YOUR CITY SAFE FROM PENSION DEBT?:**

Readers, I've been very Chicago-focused in my recent articles, both because it is the metro area in which I live and because its public pension problems are particularly worrisome. But they're far from the only city with pension woes, and the watchdog group Truth in Accounting has just released their annual report on debt in large American cities," [Financial State of the Cities.](#)"

Here are the five worst cities, out of 75 studied, cities TIA labels "sinkhole cities":

- San Francisco, per-taxpayer debt of \$22,600;
- Honolulu, per-taxpayer debt of \$23,000;
- Philadelphia, per-taxpayer debt of \$27,900;
- Chicago, per-taxpayer debt of \$36,000; and, astoundingly,
- New York City, per-taxpayer debt of \$64,100.

In all, these five and three other cities were assigned the grade of "F" for having a taxpayer burden of greater than \$20,000, and another 31 had a grade of "D" for burdens between \$5,000 and \$20,000. And, lest you think the report is all bad news, 12 cities had a net surplus, that is, assets in excess of their debts. The top five such "sunshine cities" are

- Irvine, per-taxpayer surplus of \$4,400;
- Charlotte, \$3,400;

- Washington, D.C., \$3,300;
- Lincoln, \$2,900; and
- Fresno, \$2,500.

Of these, Irvine is noteworthy for lacking any bonded debt and Washington, D.C., for having overfunded pension and retiree healthcare systems. Fresno has an overfunded pension fund. Lincoln's and Charlotte's pension and retiree healthcare debts are moderate enough that the city's assets exceed this and other debt.

And here's what's noteworthy about their report:

First, they calculate the debt on a *per-taxpayer* basis, that is, "the estimated number of taxpayers with a positive federal income tax liability," rather than using a simple per-capita adjustment. Does this overstate the debt? Maybe. Certainly the number would be lower on a simple per-capita basis -- but children aren't the ones paying taxes, so it makes sense to exclude them. Could have looked at the adult population of each city? Sure.

But there's a certain logic for the "per taxpayer" approach that they take:

a city with a relatively higher share of taxpayers (people with income that exceeds their deductions and produces taxes exceeding available tax credits) has a better chance of managing its debt, in the same way as a higher-income household can handle more debt. (Would I like to see an adjustment for each city's GDP? That would also be quite interesting - but the federal government only measures GDP based on metro areas rather than city limits.) Second, they calculate both reported and unreported sources of debt by digging deeper than merely transcribing the figures reported in the cities' consolidated financial reporting to uncover accounting tricks that enable cities to claim they've balanced their budgets while they actually add to their debt. In particular, as it concerns retirement, due to lack of appropriate reporting requirements, not all cities report on their balance sheet the full extent of their post-retirement benefit promises, that is, retiree health and life insurance or OPEB (Other Post-Employment Benefits). In addition, some cities use an earlier "measurement date" for their liabilities, which can significantly understate liabilities by not reporting asset or liability losses after the measurement date; public pension accounting also allows plans to defer recognition of losses to later periods. Third, underfunded pension and other post retirement benefits account for a majority of the debt of these "sinkhole cities." In New York City, 64% of the total debt is due to pension and other retirement promises. In Chicago, that's 69%; Philly, 63%; Honolulu, 80%; and San Francisco, 65%. And not all of these are cases such as Chicago's, with its horrifically low funded ratio of 28%. San Francisco, for example, [nominally has a funded ratio of 87%](#),

according to its most recent actuarial report, with an unfunded amount of \$3.3 billion. However, that figure is as of July 1, 2017, TIA reports, and the true amount of unfunded pension liability is \$5.0 billion, along with \$4.2 billion in unfunded retiree healthcare; Chicago, by comparison, has comparatively little unfunded retiree medical liability. Finally, TIA's calculations in this report are inevitably not apples-to-apples in comparing the cities' financial health. New York City includes in its reporting not just municipal employees' pensions, but also that of its teachers. Chicago's reporting excludes liabilities for its teachers, as well as employees in the transit system and city parks employees, because these are considered separate units of government. Helpfully, they publish [a separate report](#) (using 2017 data) which adds in the debt burden from these other entities. Considering all other local government entities, using last year's data, Chicago taxpayers' debt burden was 75,960, higher than New York City's \$62,500. It is true that Chicago's (on-paper) debt burden decreased in 2018 because implementing a new funding plan allowed it to increase the discount rate, and decrease the pension liabilities reported for its most unfunded plan, so it may be that when TIA repeats their all-governmental-units analysis, New York City and Chicago may be more-or-less tied -- which is, however, small consolation for the taxpayers of those cities. Elizabeth Bauer, Forbes, January 29, 2019.

## **9. THE TOP 100 U.S. CLASS ACTION SETTLEMENTS OF ALL TIME:**

### **Executive Summary**

For calendar 2018, ISS Securities Class Action Services LLC ("SCAS") recorded 126 approved securities class action settlements, four (4) of which are included in SCAS' Top 100, which charts the largest U.S. class action settlements since passage of the Private Securities Litigation Reform Act of 1995. The four new entrants into the Top 100 are:

- Petroleo Brasileiro S.A. (Petrobras) – \$3 billion;
- Wells Fargo & Company – \$480 million;
- Allergan, Inc. – \$250 million; and
- Wilmington Trust Corp – \$210 million.

Collectively, in calendar year 2018 \$5.84 billion in settlement funds were approved for distribution. While the count of settlements dropped by 23 percent to 126 from 163 in 2017, total settlement dollars were 164 percent higher than the prior year. Of the 126 settlements, 94 occurred in Federal Court while 32 occurred in a state court. Not surprisingly, the most frequent Federal Court was the U.S. District Court for the Southern District of New York ("USDC - New York (Southern)") with 20 settlements totalling \$3.35 billion, while the most frequent State Court was the Delaware Court of Chancery with 13 settlements totalling \$231.3 million.

The allegations of the four newly added settlements in the Top 100 were as follows :

- Three were related to violations of Employment of Manipulative and Deceptive Practices of the Securities and Exchange Act of 1934 (“Rule 10b-5”);
- Two were related to violations of Civil Liabilities on Account of False Registration Statement of the Securities Act of 1933 (“Section 11”);
- Two were alleged violations of Generally Accepted Accounting Principles (“GAAP”) which stemmed from financial restatements;
- Two were related to insider trading; and
- One was related to M&A transactions.

Interestingly, Petrobras, the largest settlement of 2018, becomes the largest non-U.S. company to settle within the U.S. court system (eligible shareholders were holders of the company’s ADRs). Lead plaintiffs for this case included the Employees' Retirement System of the State of Hawaii; Universities Superannuation Scheme, Ltd; and the North Carolina Department of State Treasurer. Pomerantz LLP, now with two cases within the Top 100, was sole lead counsel. In January 2018, parties in the Petrobras case entered an agreement to settle, which was later finalized in USDC - New York (Southern) in July 2018. At \$3 billion, the Petrobras settlement now stands as the fifth highest within the Top 100. Lead counsel (or co-lead counsel) for the three other new entrants into the Top 100 (Wells Fargo, Allergan, and Wilmington Trust) was Bernstein Litowitz Berger & Grossmann. Not included within the Top 100 Report are antitrust cases; however, in 2018, investors were able to participate in a handful of key settlements totaling \$4 billion, including the Foreign Exchange Benchmark Rates, Relevant LIBOR-Based Financial Instruments, ISDAfix Transactions, Euro Interbank Offered Rate, State AG LIBOR/Euribor, and Euroyen-Based Derivatives. ISS Securities Class Action Services, December 31, 2018.

#### **10. PENSIONS ACCOUNT FOR 61% TOP 100 ASSET OWNERS:**

The top 100 asset owners account for more than one-third of all global capital held by their peers, with pension funds holding the largest concentration of money. At roughly \$19 trillion, the 100 largest asset owners hold almost 35% of the world’s \$55 trillion assets under management, and nearly 61% of the list’s ranks are pension funds, according to Willis Towers Watson’s Thinking Ahead Institute, which conducted the report. The top 10 funds in the world are Japan’s Government Pension Investment Fund (\$1.4 trillion), Norway’s Government Pension Fund (\$1.06 trillion), South Korea’s National Pension Service (\$582.9 billion), the Federal Retirement Thrift Investment Board (\$531.48 billion), China’s National Social Security Fund (\$341.3 billion), the California Public Employees Retirement System (\$336.6 billion), the Canada Pension Plan Investment Board (\$283.4

billion), Singapore's Central Provident Fund (\$269.1 billion), and the Netherlands' PGGM (\$262.2 billion). In addition to owning 60.8% of all ranking assets, retirement organizations also control 67% of the total funds on the list. The average pension assets accounted for about \$170 billion. The average for all funds was \$187 billion. The remaining 39.2% of the top 100 asset owners are occupied mostly by sovereign wealth funds (32%), as well as outsourced chief investment officers and master trusts (7.2%). As for regions, the largest region in assets under management was Asia Pacific (36%), with Europe, the Middle East and Africa (34%), and North America (30%) trailing closely. Roger Urwin, global head of investment content at the Thinking Ahead Institute, said these large-scale institutions "have little choice but to take their financial and social responsibilities seriously, and not to shirk the big issues" as they are movers and shakers that can influence the global economy. Urwin also said the top 100 asset owners need to understand the world they operate in over the next decade, meaning they should be "doing more to institutionalize professionalism, streamline operating models, leverage culture and diversity more effectively, and evolve the investment model into increasingly smart and sustainable arrangements." *Chief Investment Officer*, November, 2018.

#### **11. THE ASTOUNDING REVERSAL ON ILLINOIS PENSION CRISIS:**

Governor J.B. Pritzker has made his position clear on pensions: No reforms. Not necessary. Just pay them. Nobody in the Democratic party, which holds supermajorities in both the House and the Senate, has voiced any dissent. But consider what the Democrats argued in court just five years ago. Like today, they held the governorship and supermajorities. When they defended SB1, a modest pension reform bill passed in 2013, their position was also clear: Benefit reductions, not tax increases, were essential. Attorney General Lisa Madigan made the Democrat's case in 2014 in front of the Illinois Supreme Court. The pension problem and the fiscal crisis it caused were so severe, she argued, that the rarely used "police power" doctrine - basically emergency powers - justified an override of the state's constitutional pension protection clause. Madigan's case ran on the same points that financial realists and pension critics had been saying all along - that tax hikes and service cuts, rather than reforms, would worsen the flight of employers from the state and devastate the poor. [Madigan also cited](#) the conclusions reached by the General Assembly itself: "The fiscal problems facing the state and its retirement systems cannot be solved without making some changes to the structure of the retirement systems." Today, it reads as if Madigan were prescient. The Illinois Supreme Court ended up striking down SB1. And with that, lawmakers essentially abandoned the idea of structural changes to Illinois retirements. Since then, Illinois' finances, and its pension crisis, have only gotten worse. Madigan's economic and financial arguments for pension reform are more relevant than ever. But Pritzker and his party are unequivocally opposed to a constitutional amendment to reform pensions. So, what's changed? Are Illinois

lawmakers simply hypocrites? Most Illinoisans instinctively know the answer. Mark Glennon, Wirepoints.

## **12. AARP TACKLES SOCIAL SECURITY MISINFORMATION:**

AARP updated its recently launched [Social Security Resource Center](#) with an analysis of the 12 most common Social Security misconceptions held by workers and retirees in the U.S.; the publication also discusses solutions and strategies for improving the long-term strength of the system. According to David Certner, AARP's legislative policy director, probably the first and most pervasive misunderstanding is that Social Security is at risk of "going bankrupt" in the near term. "At the moment, you could say the opposite; the Social Security trust funds are near an all-time high," he says. "The program really is in good shape right now," says David Certner. "But we know it has a long-term financial challenge." The white paper recounts how, for decades, Social Security collected more money than it paid out in benefits. The surplus money collected from payroll taxes each year got invested in Treasury securities, generating reserves that are now worth about \$2.89 trillion. "But as the birth rate has fallen and more Boomers retire, the ratio of workers to Social Security recipients is changing. This year is a tipping point," Certner says. "The program will need to dip into its reserves to pay full benefits from this point forward, absent any change to the program. It's now forecast that the trust fund reserves could be exhausted in 2034. Even if that happens, Social Security won't be bankrupt. The program will continue to pay benefits, but at a rate of 79% of what recipients expected to receive." According to the AARP analysis, some ideas to reform funding are starting to take shape, but near-term [Congressional action remains unlikely](#). "One proposal is to either raise or eliminate the wage cap on how much income is subject to the Social Security payroll tax," AARP says. "In 2019, that cap will be \$132,900, which means that any amount a worker earns beyond that is not taxed. Remove that cap, and higher-income earners would contribute far more to the system. Other options lawmakers might consider include either raising the percentage rate of the payroll tax or raising the age for full retirement benefits." According to AARP, it is important that workers are made to understand their Social Security benefits can be taxed, especially when an individual can draw significant resources from other income sources, such as defined contribution (DC) or defined benefit (DB) retirement accounts. As the white paper recounts, single filers whose combined annual income exceeds \$34,000 might pay income tax on up to 85% of their Social Security benefits; couples filing jointly may pay tax on up to 85% if their combined income tops \$44,000. Another key myth to break is that Social Security is meant to be an adequate source of income on its own for retirees. "The SSA says if you have average earnings, the program's retirement benefits will replace only about 40% of your pre-retirement wages," the analysis says. "Nevertheless, 26% of those 65 and over who receive a monthly Social Security benefit today live with families that depend on it for

almost all of their retirement income. And 50% of them say their families depend on Social Security for at least half of their income.” The full publication is available on [AARP's website](#). Planadviser, November, 2018.

**13. DID YOU KNOW BENJAMIN FRANKLIN SAID THIS?:**

The Constitution only gives people the right to pursue happiness. You have to catch it yourself.

**14. POSERS:**

If you rip a hole in a net, there are actually fewer holes in it than there were before.

**15. INSPIRATIONAL QUOTES:**

If you look at what you have in life, you'll always have more. If you look at what you don't have in life, you'll never have enough. – Oprah Winfrey

**16. TODAY IN HISTORY:**

On this day in 1854, Republican Party formally organized in Ripon, Wisconsin.

**17. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.**

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