



CYPEN & CYPEN NEWSLETTER for April 4, 2019

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

1. IMPACT OF PUBLIC SECTOR ASSUMED RETURNS ON INVESTMENTS CHOICES:

State and local pension plans use their assumed investment return -- 7.4 percent, on average, in 2017 -- to value liabilities and calculate required contributions. Prior studies have suggested that this practice results in overly risky portfolios as plan sponsors seek higher returns to reduce their reported liabilities and required contributions.¹ A separate, but related, issue is that -- for any given asset allocation -- this use of the assumed return could also provide an incentive for plans to take a rosy view of future returns for their investment portfolio. Given these concerns, this brief investigates two questions. First, does using the assumed return to value liabilities and set contributions lead to riskier asset allocation? Second, given the asset allocations of public plans, are their assumed returns overly optimistic? The discussion proceeds as follows. The first section introduces the data and methodology, explaining why comparing public plans to private plans is useful for

this analysis. The second section explores the hypothesis that using the assumed return to value liabilities and set contribution targets leads to riskier asset allocation. Given their allocation, the third section explores whether public plan return assumptions are reasonable by comparing them to those of investment experts. The final section concludes that public plans invest in riskier assets than private plans -- and that much of the difference is related to unobservable differences between the sectors, including how they use the assumed return. Additionally, given the asset allocation of public plans, their return expectations are on the optimistic end of the assumptions of investment experts. Prior studies have hypothesized that the use of the assumed return by public pension plans to value liabilities results in overly risky portfolios as public plans may seek to justify a higher expected return to reduce both their reported liabilities and required contributions. Additionally, given their asset allocation, many investment professionals foresee returns below the 7.4-percent return assumed by public plans. Given these concerns, this brief explored two questions. First, do public sector plans invest in riskier assets due to the incentives regarding the assumed return? Second, given their allocation, are their assumed returns overly optimistic? On the first question, the brief finds that public plans have a riskier portfolio relative to private plans, which do not use the assumed return in the same way. A regression analysis suggests that much of the difference in allocation is related to unobservable differences between the two sectors, including the public sector's use of the assumed return. On the second question, the assumed returns of public sector plans are on the optimistic end of the assumptions of investment experts. This situation is worth monitoring closely because optimistic return expectations could yield required contributions that are ultimately inadequate to meet benefit obligations and, thus, threaten the financial stability of public plans. Jean-Pierre Aubry and Caroline V. Crawford, Number 63, Center for Retirement Research at Boston College, January 2019.

2. LOOK WHO'S TALKING ABOUT STATISTICS IN SCHOOLS:

The U.S. Census Bureau's Statistics in Schools program is excited to have enthusiastic partners spread the word about our educational resources. Three new videos were released this month featuring Doreen Cugno of the St. George Theatre, singer/songwriter Peabo Bryson, and Stephanie Turner of the Tilles Center for the Performing Arts. These videos talk about how the Statistics in Schools program is helping students better understand the value and everyday use of statistics by providing online resources and activities in math, history, English, geography, and sociology.

Doreen Cugno of the St. George Theatre

<https://www.census.gov/programs-surveys/sis/resources/psas/stgeorge-theatre.html>

Singer/Songwriter Peabo Bryson

<https://www.census.gov/programs-surveys/sis/resources/psas/peabo-bryson.html>

Stephanie Turner of the Tilles Center for the Performing Arts

<https://www.census.gov/programs-surveys/sis/resources/psas/tilles-center.html>

Share [these videos](#) with your friends, family, and colleagues to remind them about the free resources and activities for K-12 classrooms available from the Census Bureau's Statistics in Schools program. United States Census Bureau.

3. TAXPAYER BILL OF RIGHTS OUTLINES RIGHTS FOR ALL TAXPAYERS:

This is the first tip in a two-part summary of the rights granted to all taxpayers. Every taxpayer has rights when dealing with the IRS. [The Taxpayer Bill of Rights](#) takes these rights from the tax code and groups them into 10 categories. To help taxpayers interacting with the IRS understand their rights, the agency outlines them in [Publication 1](#), Your Rights as a Taxpayer. Here are the first five rights along with more information about each one:

The Right to Be Informed.

Taxpayers have the right to know how to comply with tax laws. They are entitled to clear explanations of the laws and IRS procedures. Taxpayers have the right to know about IRS decisions affecting their accounts with clear explanations of the outcomes.

The Right to Quality Service.

Taxpayers have the right to receive prompt, courteous and professional assistance when dealing with the IRS. They also have the right to speak with a supervisor about inadequate service. Communications from the IRS should be clear and easy to understand.

The Right to Pay No More Than the Correct Amount of Tax.

Taxpayers must pay only the amount of tax legally due. This includes interest and penalties. The IRS must apply all tax payments properly.

The Right to Challenge the IRS's Position and Be Heard.

Taxpayers have the right to object to formal IRS actions or proposed actions. They can also provide justification with additional documentation. Taxpayers can expect the IRS to consider timely objections and documentation promptly and fairly. Taxpayers can expect a response when the IRS disagrees with the taxpayer's position.

The Right to Appeal an IRS Decision in an Independent Forum.

Taxpayers are entitled to a fair and impartial appeal of most IRS decisions. This includes

appealing certain penalties. Taxpayers have the right to receive a written response from the IRS regarding a decision. Taxpayers generally have the right to take their case to court. The IRS will include Publication 1 when sending a notice to taxpayers on a variety of issues, such as an audit or collection matter. Publication 1 is available in [English](#) and [Spanish](#). All IRS facilities publicly display the rights for taxpayers.

More Information:

- [What the Taxpayer Bill of Rights Means for You](#)
- [IR-2014-72](#), IRS Adopts "Taxpayer Bill of Rights;" 10 Provisions to be Highlighted on IRS.gov, in Publication 1
- [IR-2014-80](#), IRS "Taxpayer Bill of Rights" Now Available in 6 Languages; 10 Key Rights Outlined in Updated Publication 1

Issue Number: Tax Tip 2019-31, IRS Tax Tips, March 27, 2019.

4. TAX TIME GUIDE -- TAX HELP IS JUST A CLICK AWAY ON IRS.GOV:

The Internal Revenue Service reported that there were more than 585 million visits to [IRS.gov](#) by taxpayers finding answers to tax questions, e-filing tax returns and checking on their tax refunds in 2018. This year, visits are 11 percent higher than the same time last year. This news release is part of a series called the [Tax Time Guide](#), a resource to help taxpayers file an accurate tax return. Additional help is available in [Publication 17](#), Your Federal Income Tax, and the [tax reform information page](#). The IRS expects millions of taxpayers to take advantage of the easy-to-use [tools](#) available 24 hours a day on IRS.gov. Research is easier with tools like the [Interactive Tax Assistant](#) (ITA), a tax law resource that works using a series of questions and provides responses. There is also a page for [Frequently Asked Questions](#) and an [IRS Tax Map](#) that allows searches by topic or keyword for single-point access to tax law. Tax information on IRS.gov is also available in [Spanish](#) Español, [Chinese](#) 中文, [Korean](#) 한국어, [Russian](#) Русский and [Vietnamese](#) Tiếng Việt

Online account tool

From the IRS.gov homepage, taxpayers can use the [View Your Account](#) tool to see their tax account. Information such as a payoff amount, the balance for each tax year for which they owe, up to 24 months of their payment history and key information from their current tax year return as originally filed.

‘Where’s My Refund?’

Taxpayers can easily find the most up-to-date information about their tax refund using the

"[Where's My Refund?](#)" tool on [IRS.gov](#) and on the official IRS mobile app, [IRS2Go](#). Within 24 hours after the IRS acknowledges receipt of an e-filed return or four weeks after a paper return is mailed, taxpayers can start checking on the status of their refund.

Finding free tax return preparation

Low- and moderate-income taxpayers as well as those age 60 and above can find the nearest community-based site staffed by IRS trained and certified volunteers using the [VITA/TCE Site Locator](#). Eligible taxpayers can look for [Volunteer Income Tax Assistance and Tax Counseling for the Elderly](#) (VITA/TCE) program sites where they can get their tax returns prepared and filed without charge.

Free DIY tax preparation

The IRS [Free File program](#), available only through IRS.gov, offers 70 percent of all taxpayers the choice of 12 brand-name tax preparation software packages to use at no cost. The software does all the work of finding deductions, credits and exemptions for which the taxpayer qualifies. It is free for those who earned \$66,000 or less in 2018. Some of the Free File packages also offer free state tax returns. Taxpayers who earned more than \$66,000 in 2018 and are comfortable preparing their own taxes can use [Free File Fillable Forms](#). This electronic version of paper IRS tax forms is also used to file tax returns online.

Finding a tax professional

The taxpayer is responsible for the accuracy of their tax return and should choose their tax professional carefully. Tax return preparers have differing levels of skills, education and expertise. There is a searchable directory on IRS.gov to help taxpayers [find a tax professional](#) in their area. The list can be sorted by [credentials and qualifications](#).

Get a tax return transcript

A Tax Return Transcript shows most line items from an original tax return, along with any forms and schedules, but not changes made after it was filed. The [Get Transcript](#) tool is free and available on IRS.gov. Taxpayers can view, print or download their tax transcripts after the IRS has processed the return. The IRS redesigned tax transcripts to partially mask all personally identifiable information for any person or entity on the 1040-series tax return. All financial entries remain fully visible.

How to make a tax payment

Taxpayers should visit the "[Pay](#)" tab on IRS.gov to see their payment options. Most tax software products give taxpayers various payment options, including the option to withdraw the funds from a bank account. These include:

- [IRS Direct Pay](#) offers taxpayers a free, fast, secure and easy way to make an electronic payment from their bank account to the U.S. Treasury.
- Use an approved payment processor to pay by credit or debit card for a fee.
- Mail checks or money orders made out to the U.S. Treasury.
- Make monthly or quarterly tax payments using [IRS Direct Pay](#) or through the [Electronic Federal Tax Payment System](#).

Can't pay a tax bill?

Everyone should file their 2018 tax return by the tax filing deadline regardless of whether or not they can pay in full. Taxpayers who can't pay all their taxes have options including:

- [Online Payment Agreement](#) – Individuals who owe \$50,000 or less in combined income tax, penalties and interest and businesses that owe \$25,000 or less in payroll tax and have filed all tax returns may qualify for an Online Payment Agreement. Most taxpayers qualify for this option and an agreement can usually be set up on IRS.gov in a matter of minutes.
- [Installment Agreement](#) – Installment agreements are paid by direct deposit from a bank account or a payroll deduction.
- [Delaying Collection](#) – If the IRS determines a taxpayer is unable to pay, it may delay collection until the taxpayer's financial condition improves.
- [Offer in Compromise](#) (OIC) – Taxpayers who qualify enter into an agreement with the IRS that settles their tax liability for less than the full amount owed.

Status of an amended tax return

Taxpayers can check on their IRS Form 1040X, Amended U.S. Individual Income Tax Return, using the "[Where's My Amended Return?](#)" tool. Allow three weeks before checking on the initial status of an amended return and up to 16 weeks for processing.

Face-to-face IRS help

Nearly every tax issue can be resolved [online or by phone](#), but some taxpayers still need face-to-face help from the IRS. All IRS Taxpayer Assistance Centers (TACs) provide service by appointment. To find the closest IRS TAC, enter a five-digit ZIP Code into the [TAC Office Locator](#) tool on IRS.gov. To schedule an appointment, call 844.545.5640. Taxpayers need valid photo identification and a taxpayer identification number, such as a Social Security number, to receive services.

Withholding Calculator

Due to tax reform, many employees' withholding decreased in early 2018, giving them

more money in their paychecks. Since then, the IRS has been urging employees to perform a Paycheck Checkup using the [Withholding Calculator](#) on IRS.gov. A [Paycheck Checkup](#) can help taxpayers see if they're having their employer withhold the right amount of tax from their paychecks. Even taxpayers who changed their 2018 withholding should recheck their withholding now. A mid-year withholding change in 2018 may have a different full-year impact in 2019. Taxpayers can find answers to questions, forms and instructions and easy-to-use tools online at [IRS.gov](#). They can use these resources to get help when it's needed from the convenience of their home or office.

Issue Number: IR-2019-56, IRS Newswire, March 26, 2019.

5. U.S. SUPREME COURT DECLINES TO HEAR SAN DIEGO RETIREMENT PLAN CASE:

The U.S. Supreme Court declined to accept a case appealing a California Supreme Court ruling regarding a ballot measure that replaced San Diego's defined benefit plan with a defined contribution plan for new city employees, the court order shows. The California Supreme Court had said that San Diego city officials should have met and conferred with union officials regarding the ballot measure, called Proposition B, which voters passed in 2012. The California Supreme Court in an August opinion had sent the case back to the California 4th District Court of Appeal to determine the appropriate remedy, which could include vacating the results of the election approving the ballot initiative and paying city employees for all lost compensation, including the value of lost pension benefits as ordered by the state Public Employment Relations Board. The proposition passed in 2012 and closed the city's defined benefit plan to all city employees, except sworn police officers, hired on or after July 20, 2012. Arleen Jacobius, *Pensions & Investments*, March 19, 2019.

6. MULTISTATE PRIVATE-SECTOR RETIREMENT PACT GETTING SOME SERIOUS ATTENTION:

With state-sponsored private-sector retirement programs underway in 10 states, and another 20 legislative proposals expected in 2019, the stage is being set for a collaborative model to get many more states in the game. The basic idea is for interested states to be able to tap into programs already built rather than starting from scratch. The concept takes a page from 529 college savings plans and Achieving a Better Life Experience plans for people with disabilities, from which states have learned that they can achieve efficiency and economies of scale by sharing such programs. "I'm hearing a lot of interest from the states, and a lot of states are engaging in that discussion," said Sarah Mysiewicz Gill, Washington-based senior legislative representative for AARP. "We are really excited about it. It's the spirit behind these programs to aggregate small businesses." So far, seven states -- including some that have already passed secure

choice legislation -- are considering legislative language allowing for such partnerships, and many other private-sector retirement bills being considered this year would allow treasurers or other officials to decide whether collaborating with another state program is the most feasible approach. "It gives them the running room to make that decision," Ms. Gill said. Some bills have an interesting twist, calling for collaboration as the next step if their initial programs don't produce the desired participation results. That is where Washington state now finds itself, after its first private-sector effort -- a small-business retirement online marketplace that was similar to one in New Jersey -- failed to get enough interest from providers, employers or employees. The program is currently inactive. State Sen. Mark Mullet, who sponsored the first idea, is now sponsoring a bipartisan-supported bill allowing the state to tap into OregonSaves, the first secure choice program to launch that now has \$14.5 million in assets. If that happens, a secure choice program under development in Seattle would follow.

Keep it simple

Angela M. Antonelli, executive director of the Center for Retirement Initiatives at Georgetown University in Washington, stressed that "keeping the design simple is key," and pointed to four general models for multistate collaboration: Another state contracts with an established state plan to handle program administration. An interstate alliance jointly structures and administers a program for those states in the alliance. A turnkey private provider develops a customizable platform that can be used by individual states. A 529 plan approach where a state has an "open" program and individuals and employers from other states can sign up. "I am genuinely excited about moving forward. The hope is if we can show how this partnership works, I think other states will follow," said Mr. Mullet, a Democrat. He said he was able to sell the idea to Republican legislators "because it didn't cost anything to get a program up and running. We are hopefully showing the red states a path," he said. It makes sense to red state Wyoming, where a just-finished legislative task force report noted that, given Wyoming's small employee and employer base, "it appears we may be more successful to wait and join another program ... positioning our state to benefit from proven concepts as soon as the time is right is a proactive step that will help future generations." It also makes sense to officials in some of the 10 states that already have launched secure choice programs, particularly first movers Oregon, Illinois and California, which mandate that employers not offering retirement plans enroll workers in payroll deduction IRAs. Oregon officials said they would welcome more participants and assets, while Illinois and California are open to the idea but haven't moved beyond that yet. Other models include Massachusetts, with a defined contribution plan for small non-profits, and Vermont's multiple employer defined contribution plan. Almost-ready programs include Maryland's small-business retirement savings program set to launch in late 2019 and New York's voluntary payroll-deduction IRA. All the programs

are expected to be fully implemented between 2020 and 2022.

Partnership value

"We think there is a lot of value in partnerships for those states who don't have a ton of resources to put together a program," said Michael Parker, Salem-based executive director of the Oregon Savings Network, which includes OregonSaves and the 529 and ABLE plans. "What we really think is a benefit to this movement is to get as many people covered as quickly as possible," said operations director Joel Metlen, in Tigard, Ore. A similar multistate partnership approach with the ABLE plan "allowed us to focus on getting people into the plan. The speed to market is going to be much faster," said Mr. Metlen, who noted that building the retirement savings program, including decisions about investment options, "was two years of pretty intense work," while multistate collaboration "is the evolution of the model." Oregon has also learned from fellow pioneer state Illinois, which just celebrated \$1 million in assets for its new program, and California, with innovations including environmental, social and governance investment options. "It's been an iterative process and one where the states have really benefited from each other. I think that's a big benefit for businesses, too," said Mr. Parker, whose office is working with payroll providers to make the process easier for employers. "The interest is not going to stay with these three states. We are talking to a lot of states about this. There is a lot of enthusiasm," he said. Katie Selenski, Sacramento-based executive director of California's CalSavers Retirement Savings Program, said her office for now is "laser focused" on getting the program launched smoothly during a pilot phase that ends in July, including integrating with payroll provider technology. In the meantime, they are "monitoring conversations about possibilities for multistate partnerships and (are) open to innovative ideas. We are excited to see so many more states in the pipeline on auto IRAs and we frequently talk with them about lessons learned and how we can support each other," Ms. Selenski said. The Maryland Small Business Retirement Savings Program "is being designed to make collaboration easier," said Chairman Joshua Gotbaum. "Part of the reason we set up Maryland's program as a non-profit rather than a state agency was to make it easier to work with others," Mr. Gotbaum said. Interstate collaboration also can address concerns raised by the financial services industry about dealing with small accounts and 50 different sets of rules. "As state retirement programs have launched, the financial industry has begun to see the business opportunities that come from creating thousands of new savers," CRI's Ms. Antonelli said. "It is exciting to see several states taking steps this year to consider such arrangements."

Hazel Bradford, *Pensions & Investments*, March 18, 2019.

7. IRS WARNS OF NEW PHONE SCAM USING TAXPAYER ADVOCATE SERVICE NUMBERS:

The Internal Revenue Service today warned the public about a new twist on the IRS impersonation phone scam whereby criminals fake calls from the Taxpayer Advocate Service (TAS), an independent organization within the IRS. Similar to other IRS impersonation scams, thieves make unsolicited phone calls to their intended victims fraudulently claiming to be from the IRS. In this most recent scam variation, callers “spoof” the telephone number of the IRS Taxpayer Advocate Service office in Houston or Brooklyn. Calls may be ‘robo-calls’ that request a call back. Once the taxpayer returns the call, the con artist requests personal information, including Social Security number or individual taxpayer identification number (ITIN). [TAS](#) can help protect your [taxpayer rights](#). TAS can help if you need assistance resolving an IRS problem, if your problem is causing financial difficulty, or if you believe an IRS system or procedure isn’t working as it should. TAS does not initiate calls to taxpayers “out of the blue.” Typically, a taxpayer would contact TAS for help first, and only then would TAS reach out to the taxpayer. In other variations of the IRS impersonation phone scam, fraudsters demand immediate payment of taxes by a prepaid debit card or wire transfer. The callers are often hostile and abusive. Alternately, scammers may tell would-be victims that they are entitled to a large refund but must first provide personal information. Other characteristics of these scams include:

- Scammers use fake names and IRS badge numbers to identify themselves.
- Scammers may know the last four digits of the taxpayer’s Social Security number.
- Scammers spoof caller ID to make the phone number appear as if the IRS or another local law enforcement agency is calling.
- Scammers may send bogus IRS emails to victims to support their bogus calls.
- Victims hear background noise of other calls to mimic a call site.
- After threatening victims with jail time or with, driver’s license or other professional license revocation, scammers hang up. Others soon call back pretending to be from local law enforcement agencies or the Department of Motor Vehicles, and caller ID again supports their claim.

Here are some things the scammers often do, but the IRS will not do. Taxpayers should remember that any one of these is a tell-tale sign of a scam.

The IRS will never:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. Generally, the IRS will first mail a bill to any taxpayer who owes taxes.
- Threaten to immediately bring in local police or other law-enforcement groups to have the taxpayer arrested for not paying.

- Demand that taxes be paid without giving taxpayers the opportunity to question or appeal the amount owed.
- Ask for credit or debit card numbers over the phone.
- Call about an unexpected refund.

For taxpayers who don't owe taxes or don't think they do:

- Please report IRS or Treasury-related fraudulent calls to phishing@irs.gov (Subject: IRS Phone Scam).
- Do not give out any information. Hang up immediately. The longer the con artist is engaged; the more opportunity he/she believes exists, potentially prompting more calls.
- Contact TIGTA to report the call. Use their [IRS Impersonation Scam Reporting](#) web page. Alternatively, call 800.366.4484.
- Report it to the Federal Trade Commission. Use the "[FTC Complaint Assistant](#)" on FTC.gov. Please add "IRS Telephone Scam" in the notes.

For those who owe taxes or think they do:

- Call the IRS at 800.829.1040. IRS workers can help.
- View [tax account online](#). Taxpayers can see their past 24 months of payment history, payoff amount and balance of each tax year owed.

Stay alert to scams that use the IRS or other legitimate companies and agencies as a lure. Tax scams can happen any time of year, not just at tax time. For more information visit [Tax Scams and Consumer Alerts](#) on IRS.gov. Issue Number: IR-2019-44, IRS Newswire, March 15, 2019.

8. GET YOUR SOCIAL SECURITY BENEFIT STATEMENT (SSA-1099):

Now that it's tax season, you might be gathering all of your forms and documentation from the previous year. Sometimes getting all that material together -- receipts for donations, business expenses, and travel -- can be overwhelming. And losing one vital piece can take up time that you might not be able to spare. The Social Security 1099 (SSA-1099) or Benefit Statement is a tax form Social Security mails each year in January. It shows the total amount of benefits you received from Social Security in the previous year, so you know how much Social Security income to report to the IRS on your tax return. Luckily, Social Security has you covered. If you live in the United States and you need a copy of your SSA-1099 or 1042S tax form, simply go online and get an instant, printable copy of your form with a [my Social Security](#) account. A Social Security 1042S (SSA-1042S) is for a

noncitizen who lives outside the United States and received or repaid Social Security benefits last year. If you have a question, want help finding the information you need, or just can't figure out how to do something online, another way to get in touch with us is by calling our toll-free number at 1.800.772.1213. We provide an automated service option to handle some business, but you can also speak to a Social Security representative between 7 a.m. and 7 p.m. local time, Monday through Friday. If you are deaf or hard of hearing, call our toll-free TTY number, 1.800.325.0778, between 7 a.m. and 7 p.m. local time, Monday through Friday. Tax season can be a stressful time for some, but we've tried to make it easier for you. Remember to share this information with friends and family. If you need a copy of your SSA-1099 or 1042S, go online and get a replacement form with a my Social Security account. Darlynda Bogle, Acting Assistant Deputy Commissioner, Social Security Administration, March 14, 2019.

9. DID YOU KNOW BENJAMIN FRANKLIN SAID THIS?:

Content makes poor men rich; discontent makes rich men poor.

10. PONDERISMS:

Why do we press harder on the remote control when we know the batteries are getting weak?

11. INSPIRATIONAL QUOTES:

Happiness is not something you postpone for the future; it is something you design for the present. - Jim Rohn

12. TODAY IN HISTORY:

On this day in 1968, US civil rights activist Martin Luther King Jr. assassinated in Memphis, Tennessee.

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

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