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**1. NEW ADMINISTRATION BACKS OUT OF LAWSUIT AGAINST CALSAVERS:**

Attorneys have notified the 9th U.S. Circuit Court of Appeals that, “after the change in administration,” the Department of Labor (DOL) no longer wishes to participate as an amicus curiae in the case arguing that California’s state-run automatic individual retirement account (IRA) program is pre-empted by the Employee Retirement Income Security Act (ERISA).

The complaint was originally filed in 2018 by the Howard Jarvis Taxpayers Association and alleged the act that created the

California Secure Choice program, now known as CalSavers, “violates the Supremacy Clause of the United States Constitution because it is expressly pre-empted by the Employee Retirement Income Security Act of 1974.” The case was dismissed last March with the court finding no impermissible reference to or connection with ERISA plans in the statute.

The Howard Jarvis Taxpayers Association filed an appeal of the case, and, in June, the DOL under former President Donald Trump filed a brief of amicus curiae in support of the association, requesting a reversal of the District Court’s findings. The DOL argued at that time that the law establishing CalSavers is pre-empted under the legal doctrine that state law relates to an ERISA plan if it has a connection with or reference to such plans. The agency said this is because it both governs a central matter of plan administration and interferes with nationally uniform plan administration--by subjecting multi-state employers to a patchwork of state laws that directly regulate how employers must structure their program or plan in providing retirement benefits. The new administration says in its filing that the DOL not only no longer wants to participate in the case but that it “does not support either side.” Rebecca Moore, *PLANSPONSOR*, [www.plansponsor.com](http://www.plansponsor.com), February 8, 2021.

## **2. BILL WOULD GET RID OF FLORIDA’S STATE PENSION PLAN:**

Florida’s pension plan would be no more under legislation that cleared a Senate Committee at the State Capitol recently. Some call the plan underfunded, but there are fears that ending the defined benefit plan could make it harder to hire critical workers.

The state pension plan isn’t just for state workers. Most teachers,

sheriff's deputies, and many city and county employees are all members of the Florida retirement system. "The balance stands at \$184 billion," said Ash Williams with the State Board of Administration.

Since last June, the plan is up \$23 billion after paying out \$600 million a month. "Investments have been prudently executed with good results," Williams said. The problem is that benefits are outpacing contributions.

Starting next year, State Sen. Ray Rodrigues wants to force all new employees into a 401(k)-type investment plan. "We've got to make sure that those we've made promises to are promises the state can keep," Rodrigues said.

Retirees were out in force at the bill's first committee hearing to say no. "Pensions allow people like me to live financially independent," Linda Edson, a retired teacher, said. They worry that blocking new members will hurt those who stay in the plan.

"To shift and close the plan to new members will be a huge financial burden to the state, employers, and employees, and ultimately puts the long term health of the system at risk," said Yale Olenick with the Florida Education Association.

Lawmakers don't have good data yet, but they've paid \$119,000 for a study due in March. Rodrigues said he is flexible if the study suggests other action. "Everything will be dictated by what the actuarial studies reveal. We're going to follow the data," Rodrigues said.

The legislation cleared the committee on a four-to-two vote, but one GOP member made it clear he would vote no if the bill didn't change significantly before a final vote. Whether the plan is

changed or not, taxpayers are going to be on the hook for more money.

If no changes are made, the state will continue putting \$373 million a year into the plan. If the plan is closed to new hires, estimates show costs will rise by a \$150 million a year, compounding for at least eight years totaling \$5.4 billion. Mike Vasilinda, [www.news4jax.com](http://www.news4jax.com), February 4, 2021.

### **3. GEORGIA'S \$90 BILLION TEACHER PENSION SYSTEM HAS SEEN BIG COVID RECOVERY:**

Next year's state budget proposal includes an extra \$66 million for Georgia's massive teacher and university pension system to keep it on solid financial footing.

But after not meeting its assumed rate of investment return in fiscal 2020 -- which ended June 30 -- the more than \$90 billion Teachers Retirement System has made a strong recovery during the COVID-19 pandemic, as did the investment markets it relies on to make sure it can pay pensions to 137,000 former educators.

A similar program that provides pensions to 50,000 state employees - the Employees Retirement System - saw a similar bounce back. Buster Evans, executive director of the TRS and a former school superintendent, told a legislative retirement committee Tuesday that the teacher system saw a return on investments in 2020 of about 15%, which is pretty close to the return for the S&P 500-stock index.

"We are glad we had a V-shaped recovery," Evans said.

That's good news for a system relied on by more than 400,000 former and current educators to provide retirement benefits.

The system has had its ups and downs in recent years, with the state having to make huge contributions at times to keep the books in good shape. Those taxpayer contributions have prompted Republican lawmakers to raise the possibility of making changes to the pension programs, something teacher groups have fought off.

When the markets plummeted at the beginning of the pandemic, the system's assets lost billions of dollars in value.

“There was a sick feeling in my stomach,” Evans told the TRS board last year.

But the TRS has ridden the wave of market gains since then.

The state and local school systems contributed more than \$2 billion to the TRS last year. Employees -- educators and staff -- pay into it as well. And it counts on an annual return on investments of about 7%.

Education groups say the pension is a vital tool to recruit and retain teachers. Most companies don't offer pensions to employees anymore, and neither does state government when it hires new agency staffers.

Evans said the average pension is about \$40,000 a year and the TRS paid out \$5.2 billion in benefits last year, so it has a big impact on the state's economy.

The TRS executive director told lawmakers that while there was an increase in the number of teacher retirements in the second half of 2020, the system didn't see the wave -- brought on by the COVID-19 pandemic and changes in their jobs -- that some other

states experienced.

He said the system has seen an increase in the number of beneficiaries who died, which could be attributable to COVID-19 since a disproportionately high percentage of coronavirus-related deaths have occurred among those 65 and older.

Still, Evans said, there are plenty of former teachers hanging in there. He told lawmakers there are 8,590 retirees who are over age 85 receiving TRS pensions. And 81 retirees over the age of 100 receive pensions. Of the centenarians, only one of the 81 is a man, he noted. James Salzer, *The Atlanta Journal-Constitution*, [www.ajc.com](http://www.ajc.com), February 3, 2021.

#### **4. NEW YORK'S RETIREMENT FUND GREW LAST QUARTER:**

New York's retirement fund grew to \$247.7 billion in the third financial quarter of the 202-21 fiscal year amid the ongoing market uncertainty amid the COVID-19 pandemic.

Comptroller Tom DiNapoli on Monday reported the fund's estimated return reach 10% after the three-month period that ended on Dec. 31.

“Continued growth in the stock market has added to the state pension fund’s dramatic increases this year,” DiNapoli said.

“More importantly, given the ongoing market volatility, our pension fund is strong and well-diversified and ready to meet any ups and downs. Investment gains will remain fragile until we overcome the COVID-19 pandemic and see more federal stimulus bolstering the broader economy. We will continue to manage investments with caution and with a long-term perspective that has been the

foundation of our success.”

The fund paid out \$3.44 billion in benefits during the third quarter. It began the fiscal year, which starts April 1, at \$194.3 billion. Nick Reisman, *Spectrum News*, <https://spectrumlocalnews.com>, February 8, 2021.

## **5. PENSION FUNDS ARE MIXED OR MUM ON MORE CASH FOR APOLLO:**

When investors in Apollo Global Management learned last week that the firm’s chief executive had paid \$158 million to the registered sex offender Jeffrey Epstein, they hardly blinked.

After the private equity firm announced the figure, revealed by an outside investigation, its stock rose nearly 7 percent. That was a far different response from three months ago, when shares plunged over concerns about the financial ties between Mr. Epstein and the chief executive, Leon Black.

Apollo soothed investors’ nerves with its announcement that Mr. Black, one of its founders, will step down as chief executive and that the firm will expand its board. Mr. Black will remain chairman.

A more important test could come the next time Apollo seeks to raise money from the 1,500 pension plans, foundations, sovereign wealth funds and other institutions that invest with it. These limited partners fuel its ability to carry out corporate buyouts, extend loans to companies and make other investments.

So far, their response has been mixed. One of the biggest public pension plans in the United States -- the California Public Employees’ Retirement System, or CalPERS -- offered only cautious support. “While we are encouraged by the independent investigation and steps Apollo has taken, the recent disclosures

remain concerning, and we will take these matters into consideration as part of our extensive due diligence of any potential future investments,” said Marcie Frost, the chief executive of CalPERS, which invests in nine Apollo funds.

But the Florida State Board of Administration, which makes investment decisions for the state’s retirement system, was satisfied.

“The actions the firm has taken with regards to succession and governance underscores Apollo’s commitment to following best practices,” said Ashbel Williams, the board’s chief executive.

Other limited partners have stayed quiet. A half-dozen state pensions either declined to comment or did not respond to requests after the firm announced the results of the outside review. The Pennsylvania Public School Employees’ Retirement System, which had said that it would not invest additional money with Apollo until the review was complete, declined further comment. On a conference call with analysts after Apollo released quarterly earnings on Wednesday, Marc Rowan, the co-founder who will take over as chief executive, said the “vast majority” of investors were satisfied after a “busy week of communication” to discuss the review and governance changes.

“They appreciated the seriousness with which we took the process,” he said. Some, he acknowledged, may need more time to assess the firm’s response.

Any lingering unease could be squelched by Apollo’s solid performance. Its assets under management rose \$22 billion in the last quarter to \$455 billion, an indication of the increased value of the companies and other assets. Apollo posted net income of \$434 million, or \$1.80 per share, up sharply from \$166 million, or

68 cents a share, a year earlier.

Mr. Black asked for the review in October, after The New York *Times* reported that he had paid at least \$50 million to Mr. Epstein, who died in a Manhattan jail cell in 2019 while facing federal sex trafficking charges.

The review found no wrongdoing by Mr. Black, saying the money was for “bona fide” services including tax and estate advice. It also said Mr. Black was not aware of Mr. Epstein’s predatory conduct and believed his 2008 guilty plea in a case involving a teenage girl had been an isolated incident.

Corporate governance experts said it was natural for there to be lingering questions about why a billionaire deal maker like Mr. Black had paid so much money to a man with Mr. Epstein’s history.

“The bread and butter of a firm like Apollo is its ability to do unmatched due diligence on investments, and it is clear that Leon Black did not do that with regards to his own billions of dollars,” said Dennis Kelleher, president of Better Markets, a nonprofit group that supports stringent financial regulation.

Apollo’s decision to add four independent board seats was a signal that it was trying to change how it operates, said Usha Rodrigues, who teaches corporate law and business ethics at the University of Georgia School of Law.

But Mr. Black, 69, will still hold great sway over Apollo. “I am surprised he is going to stay on as chair, but he is a founder,” Ms. Rodrigues said. There is another reason for the firm not to distance itself, she said: “His prowess is what has made Apollo such a success.” Matthew Goldstein and Mary Walsh, The New

York *Times*, [www.nytimes.com](http://www.nytimes.com), February 3, 2021.

## **6. STATE PENSION SYSTEMS COUNT ON TAXPAYER CONTRIBUTIONS, AND RIGHTLY SO:**

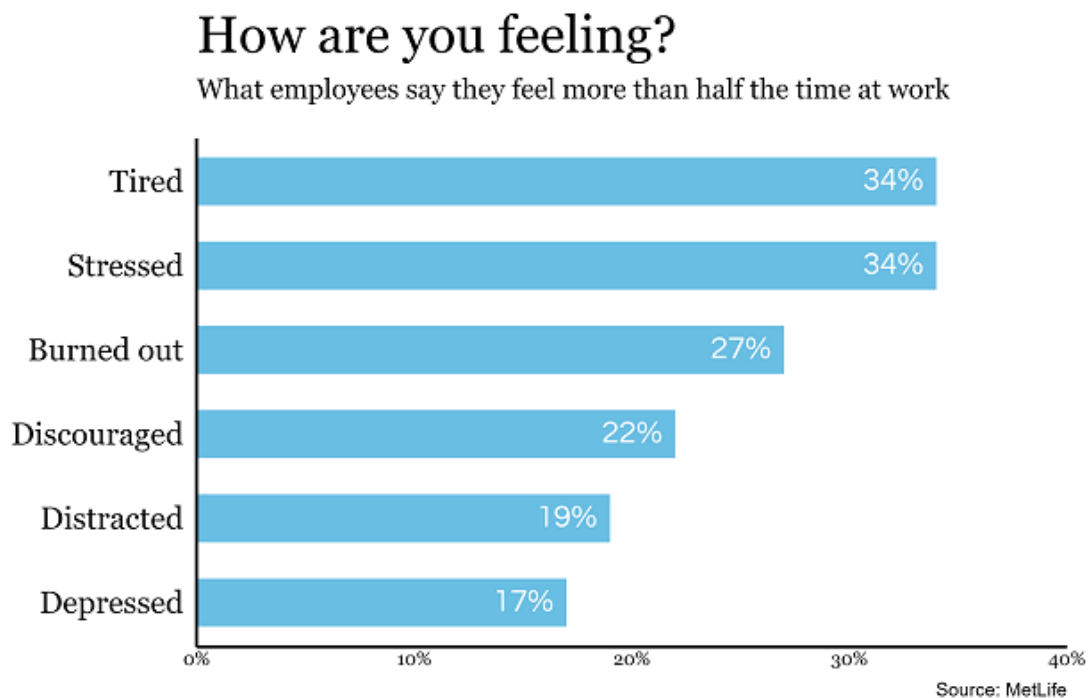
As a retired state employee, I was certainly pleased to read Jon Chesto's article about the state pension fund's strong performance last year ("State's pension fund soared to record in 2020," Business, Feb. 3). But the long-term goal isn't, and shouldn't be, to "wean" the pension systems from taxpayer contributions. The systems are designed to be fiscally sustainable over the long term through a combination of employee contributions (most workers hired in recent years are contributing at least 9 percent of their income), employer (i.e., Commonwealth) contributions, and long-term investment returns (taking into account not only great years like 2020 but also down-market years as well).

Private sector employers must contribute 6.2 percent to Social Security, and many make voluntary contributions to 401(k) plans on top of that. Thanks to a series of legislative reforms dating to 2011, an ongoing 4 to 5 percent Commonwealth contribution to the state pension fund would probably be more than enough to fund the future pensions of today's employees. The so-called budget-busting amounts included in recent state budgets are due to a large accumulated deficit in the pension fund from years past. Ironically, one of the causes of that deficit was an unfortunate tendency to reduce the state's contribution when short-term investment returns were so good.

Some suggest abolishing the state pension system to save money. But if we did that, the state would still be obligated to pay off the prior years' deficit, and the ongoing contributions to fund future benefits would be replaced by the 6.2 percent Social

Security requirement. Indeed, the Massachusetts public pension system is actually a good deal for both employees and taxpayers, and it demonstrates that our society can provide financial security to our retirees in a fiscally responsible manner. Jeff Wulfson, Boston *Globe*, [www.bostonglobe.com](http://www.bostonglobe.com), February 8, 2021.

## 7. HUFFINGTON: ‘DEALING WITH STRESS IS NO LONGER JUST A BOX TO CHECK’:



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There is no question that employees’ collective mental health isn’t good. Rates of burnout, stress, depression and anxiety are up exponentially in the wake of the ongoing pandemic, and research indicates that employee mental health issues are only worsening as the pandemic approaches the one-year mark. “Levels of stress are absolutely astronomical,” Arianna Huffington, CEO of Thrive Global, a wellness company that focuses on behavior

change technology, said last week during a webinar. “HR doesn’t have to convince the C-suite that this is a problem.”

While the dire statistics that shine a light on how employees are struggling don’t need more attention, figuring out solutions--and making sure employers are helping with the problem--do, Huffington said. “It’s something that we can do right now, starting today, that can empower us and help us lead our lives with less burnout while at the same time, we are working to make fundamental systemic changes.”

Small, actionable steps--as well as addressing employees’ key stressors--are key to helping turn the tide, said Jon Schlossberg, CEO of financial app Even, also on the webinar. “You’re not going to solve it overnight. It’s about making incremental steps,” he said. “It’s about small things repeated all the time at the right moments.”

Huffington’s Thrive program, for instance, focuses on small, science-backed actions that aim to build resilience and reduce stress--turning off your phone at night or taking 60 seconds to breathe and reset, for instance. Similarly, financial services app Even aims to help employees reduce financial stresses--an already-huge problem that’s been exacerbated by the pandemic--says Schlossberg. He said 53% of people who use Even use it every day and look to it for budgeting help and how to manage their money. “One way to think about our approach is sort of like a modern complement to a 401(k) in that it is designed to use these micro steps to provide good information in the small but everyday moments where people make decisions,” he said of Even. “Those decisions add up, and all of a sudden, people start to have more of what we call positive cash flow. They have

money that they can save.”

There is a connection between stress and anxiety and financial health, Huffington agreed--and it's one that employers are beginning to focus on. "Dealing with stress, both general stress and financial stress, is no longer just a box to check," she said. "It's essential for building a thriving culture that is high performance." One silver lining of the pandemic is that more employers, and HR leaders, in particular, are realizing the link between employees' wellbeing and business outcomes. "Forward-thinking companies are starting to realize that helping people deal what's going on in their home life, this stress we're talking about, is going to translate into people having more positive energy, more time and more of a spirit to be their full self at work," Schlossberg said. Kathryn Mayer, <https://hrexecutive.com>, February 3, 2021.

## **8. SECURE ACT 2.0: KEY PROVISIONS AFFECTING RETIREMENT PLANS:**

Late in 2020, House Ways and Means Committee Chairman Richard E. Neal (D-MA) and Ranking Member Kevin Brady (R-TX) introduced the [Securing a Strong Retirement Act of 2020](#) (SECURE 2.0), a bipartisan legislative proposal that includes changes designed to encourage plan adoption, promote retirement savings, and fix certain plan administration problems.

As retirement income issues gain an expanding focus, we think it is important for broker-dealers, RIAs and their advisors to understand changes that could impact their clients. In this post, we comment on a number of the key provisions.

### **EXPANDING COVERAGE**

At its core, SECURE 2.0 seeks to expand coverage in three

ways: by mandating auto-enrollment in 401(k), 403(b) and SIMPLE plans; by making long-term, part-time workers eligible for participation in plans after two rather than three years; and by permitting employers to provide *de minimis* financial incentives for employees to contribute to a 401(k) or 403(b) plan.

The first of these would clearly have the biggest impact. Currently, automatic enrollment for employees is permissive -- employers do not have to include that feature in their plans. Even though employees have the right to opt out, the auto-enrollment feature has had a positive effect, since a relative small percentage of those who are auto-enrolled exercise the opt-out feature.

Under SECURE 2.0, for all new plans, automatic enrollment would be a required feature, while still permitting employees to opt out of coverage. (Existing plans would be grandfathered.) In addition, automatic escalation of deferrals would be mandated by 1% per year to a maximum of 10% of compensation. Assuming the opt-out rate in the future is similar to the historic pattern, this should increase enrollment and deferrals -- and thus enhance employee retirement savings and plan assets -- substantially.

SECURE 2.0 also contains other provisions that would help increase retirement savings.

- The age at which participants are required to begin taking distributions from their retirement plans would be increased from 72 to 75. This change recognizes that many Americans are working beyond a traditional retirement date. In addition, participants with accounts of \$100,000 or less would not be required to take a required distribution.
- At age 60, participants in 401(k) and 403(b) plans would be

able to increase their catch-up contributions from the current \$6,500 beginning at age 50 to \$10,000 (adjusted annually for cost-of-living increases), recognizing that those closer to retirement may be able to and may need to contribute more to the plan.

- To assist student loan borrowers in saving for retirement while their student loan debt is being repaid, SECURE 2.0 would allow employers to make matching contributions under a 401(k) plan, 403(b) plan, or SIMPLE IRA, as would governmental employers under their plans.
- Under current law, employers are generally prohibited from providing any immediate incentives, other than matching contributions, for employees to contribute to a 401(k) or 403(b) plan. SECURE 2.0 would allow employers to offer *de minimis* financial incentives, such as gift cards in small amounts, to encourage employees to contribute.
- SECURE 2.0 would make 403(b) plans eligible to participate in multiple employer plans (MEPs), generally under new rules adopted in the SECURE Act. The thinking is that this will facilitate the adoption of 403(b) plans by eligible employers by shifting much of the administrative burden to professional service providers.
- To encourage participation by lower-income workers, SECURE 2.0 would amend the Retirement Savings Contributions Credit (Saver's Credit), which allows low- and middle-income individuals to take a tax credit for making eligible contributions to an IRA or employer-sponsored retirement plan. The changes would eliminate the current tier structure, increase the maximum credit from \$1,000 per person to \$1,500, increase the maximum income eligibility amount, and index the creditable contribution amount for inflation.

## **SIMPLIFYING PLAN ADMINISTRATION**

SECURE 2.0 would also offer solutions to a number of plan administration problems. These include easing certain disclosure requirements, expanding the IRS Employee Plans Compliance Resolution System (EPCRS) and modifying the requirements for recouping plan overpayments mistakenly made to retirees. The principal objective of these plan administration changes would be to reduce plan costs and simplify the information that participants receive about the plan each year.

## **PLAN AMENDMENTS**

The legislation would allow conforming plan amendments to be made by the end of 2022 (2024 in the case of governmental plans), provided that the plan operates in accordance with the amendments as of the effective date of a bill requirement or amendment.

## **STATUS OF LEGISLATION**

Although the ideas proposed in SECURE 2.0 have broad bipartisan support, it remains unclear whether and when the legislation will ultimately be enacted. One potential obstacle is the cost of the bill, which hasn't yet been scored by the Congressional Budget Office. Since the bill has no revenue-raising provisions in its current form, it could be held up or otherwise modified over cost concerns. Still, the bill has a fair chance of becoming law at some point in 2021.

## **CONCLUSION**

The importance of SECURE 2.0 for firms and their advisors is to gain an understanding of the efforts being addressed by Congress to help American workers have a more secure retirement. While all of the changes will have some impact, the

mandating of auto-enrollment is, in our view, the most significant since it will likely have the greatest impact on getting employees into plans and enhancing their retirement benefit over time.

Customers will need to understand the new provisions if they are enacted, so broker-dealers, RIAs and advisors need to be prepared to answer their questions. Fred Reish, Bruce Ashton and Stephen M. Pennartz, [www.brokerdealerlawblog.com](http://www.brokerdealerlawblog.com), February 9, 2021.

## **9. UNDERSTANDING HIDDEN RETIREMENT ACCOUNT FEES:**

Most people are familiar with the fees that accompany their cellphone, gym membership or streaming service such as Netflix. What most people don't know is how much the fees are associated with their retirement accounts. Seven out of 10 people don't know how much they are paying inside their 401(k) accounts.

Not knowing the fees inside a retirement account can eat at the total sum of money and impact someone's lifestyle as they get older. The differences in final values of investments with different fees can have a massive impact on the future value. For example, take a \$50,000 investment that returns 6% a year and has a total annual fee of 2.25% that is held for 30 years. After 30 years, the value would total \$145,093.83. A fund with the same amount invested and same annual returns but with a yearly fee of 0.45% would total \$250,832.55 after 30 years.

A big reason most people aren't aware of these fees is that most of the costs are hidden and don't show on the monthly or quarterly statements financial companies provide.

The easiest way to understand fees is to look at two different

buckets of costs. The first bucket will be the fees associated with the investments themselves. For example, buying a single stock in a company like Apple typically won't cost you anything.

Investing in stock gives you exposure to one single company. On the other hand, when you own a mutual fund or an index fund, there will be an annual fee associated with it because now you have exposure to possibly hundreds of different companies.

Apple doesn't charge a fee to buy a share of their company, but if you invest in a mutual fund or index fund, now you are relying on a team of human beings or computers to choose which stocks to own inside the fund. The second bucket of fees is optional and only applies if there is a financial advisor in the picture. If you are picking your own investments, there won't be an annual advisor fee. If you have a financial advisor, that fee is typically 1.02% a year on the total sum of money they manage. So someone who has \$100,000 in an account with a 1% fee pays \$1,000 a year with this particular fee.

Let's start with some of the basics of the stock market and the fees tied to these investments.

## **Stocks**

If someone purchases one share of Apple stock or 10 shares of Apple stock, there could be a trade fee of a few dollars or no trade fee at all. Most Wall Street companies are moving toward a zero-trade-fee business model.

## **Mutual Funds**

Mutual funds are a collection of stocks and bonds inside one fund. The fund has employees that cost money. Those expenses pass on to the investors inside the mutual fund. This fee is called an expense ratio. The average expense ratio for actively

managed mutual funds is between 0.5% and 1.0% a year, so \$50,000 inside a mutual fund with an expense ratio of 1% a year would cost \$500 a year for this specific fee.

Another potential fee associated with mutual funds is called "loads," also known as sales commissions. Typically these commissions are either paid upfront when the mutual fund is bought or at a later date when the mutual fund sells. For example, a Class A mutual fund can produce an upfront commission as high as 5.75%. If one invests \$25,000 with a 5.75% front load, that would be an upfront fee of \$1,437.50 deducted from the initial investment.

### **Index Funds**

Like mutual funds, index funds contain a bunch of different stocks and bonds inside them. With the rise in technology, computer-run investment funds have become more popular. By leveraging technology, these funds typically have a lower expense ratio than mutual funds. The average expense ratio is about 0.2% a year with these types of funds.

No one cares more about their money than the person who made the money, which is why knowing the returns and risk when investing are so important. Understanding the fees associated with the account is also an important metric to monitor. Between management fees, commissions, and expense ratios, paying around 2% a year in fees can happen. When investing in the stock market, it's always important to ask questions such as how much the expense ratios are, if there are any loads on these funds and if there is a fee for the financial advisor.

Knowing which questions to ask will help keep these fees on your radar. Once a year, it's a good idea to google the names of

mutual funds or index funds and see if their expense ratios have changed.

Everyone's financial situation and goals are different, so you may want to seek help from financial professionals. Daniel Blue, *Forbes*, [www.forbes.com](http://www.forbes.com), February 8, 2021.

#### **10. REAL ESTATE INVESTMENTS CAN MAKE A DIFFERENCE IN RETIREMENT SAVINGS ACCUMULATION:**

Over the next 10 to 15 years, J.P. Morgan Asset Management forecasts that global equities will return 4% to 5% and U.S. equities will return 2%, Pulkit Sharma, head of alternatives portfolio strategy at the firm, tells PLANSPONSOR.

“For a portfolio with a 60/40 allocation [60% to equities and 40% to fixed income], the highest valuation projected returns are 4.2% a year,” Sharma says. “In this construct, real estate fits in nicely in the portfolio. U.S. core real estate is projected to return 5.9% over the next 10 to 15 years. That’s a 2 percentage point premium over equities, a 4 percentage point premium over the U.S. aggregate market and 1 percentage point premium over high yield. Also, real estate can actually grow with inflation. All of these reasons make it a powerful addition to a multi-asset portfolio.”

In fact, J.P. Morgan recommends that retirement portfolios have a 10% exposure to real estate and says this exposure will increase a retirement portfolio’s ending balance by 10%.

Jani Venter, director of defined contribution (DC) real estate at J.P. Morgan Asset Management, adds: “Real estate is also a cyclical asset class, and we are currently in a trough. We expect it will rebound and continue to grow over the next 10 to 15 years.”

Venter also points out that just as defined benefit (DB) plans have

embraced real estate, it makes sense for DC plan sponsors to include real estate in multi-asset, professionally managed funds, such as target-date or white label funds. In fact, Venter says, “one trend we have seen in the past two to three years is investors increasing their exposure to real estate. They are also including real estate in pre- and post-retirement income solutions.

“In the search for retirement income, especially with yields being so low and government bond returns even being negative, many investors are turning to real estate to deliver that income,” Sharma continues. “Real estate can play a role in both the early stages of a target-date fund [TDF]’s glide path and the late stages of its glide path as a fixed income substitute.”

In “Long-Term Capital Market Assumptions,” J.P. Morgan says, “The long-term outlook for real assets is attractive, particularly when considered on a risk-adjusted basis, relative to most traditional assets and financial alternatives. We expect core real assets to continue to gain traction in portfolios, give the stable and diversifying nature of their return streams, driven by income generated from long-term contractual cash flows backed by strong counterparties.” Investing Signal, <https://investingsignal.com>, February 8, 2021.

## **11. HACKERS ATTEMPT TO POISON FLORIDA CITY’S WATER SUPPLY:**

Local and federal authorities are investigating after an attempt to poison the city of Oldsmar’s water supply, Pinellas County, Fla., Sheriff Bob Gualtieri said.

Someone remotely accessed a computer for the city’s water treatment system and briefly increased the amount of sodium hydroxide, also known as lye, by a factor of more than 100,

Gualtieri said at a news conference Monday. The chemical is used in small amounts to control the acidity of water but it's also a corrosive compound commonly found in household cleaning supplies such as liquid drain cleaners.

The city's water supply was not affected. A supervisor working remotely saw the concentration being changed on his computer screen and immediately reverted it, Gualtieri said. City officials on Monday emphasized that several other safeguards are in place to prevent contaminated water from entering the water supply and said they've disabled the remote-access system used in the attack.

The Pinellas County Sheriff's Office is investigating, along with the FBI and the Secret Service, Gualtieri said. Nobody has been arrested, Gualtieri said, though investigators have some leads. They do not know why the city of Oldsmar was targeted, he said. He added that other area municipalities have been alerted to the attack and encouraged to inspect the safeguards to their water treatment systems and other infrastructure.

Though some cities obtain water through Pinellas County, Oldsmar provides water directly to its businesses and roughly 15,000 residents, Gualtieri said. The computer system at the water treatment plant was set up to allow authorized users to remotely access it for troubleshooting.

A plant operator was monitoring the system at about 8 a.m. EST Friday and noticed that someone briefly accessed it. He didn't find this unusual, Gualtieri said, because his supervisor remotely accessed the system regularly.

But at about 1:30 p.m. the same day, Gualtieri said, someone accessed the system again. This time, he said, the operator

watched as someone took control of the mouse, directed it to the software that controls water treatment, worked inside it for three to five minutes and increased the amount of sodium hydroxide from 100 parts per million to 11,100 parts per million.

The attacker left the system, Gualtieri said, and the operator immediately changed the concentration back to 100 parts per million.

“At no time was there a significant adverse effect on the water being treated,” the sheriff said. “Importantly, the public was never in danger.”

Even if the operator hadn’t caught it, he said, it would have taken more than a day for the water to enter the water supply.

“The protocols that we have in place, monitoring protocols, they work -- that’s the good news,” Oldsmar Mayor Eric Seidel said. “Even had they not caught them, there’s redundancies in the system that would have caught the change in the pH level.

“The important thing is to put everyone on notice,” he said. “There’s a bad actor out there.”

Sen. Marco Rubio, R-Fla., also addressed the attack in a tweet Monday, saying it “should be treated as a matter of national security.”

The Sheriff’s Office learned of the attack and began investigating Friday evening, Gualtieri said. Investigators don’t yet know whether the attack originated within or outside Pinellas County, Florida or the United States. If the attacker is apprehended, he said, the person will face state felony charges and possibly

federal charges.

Contact with sodium hydroxide can kill skin and cause hair loss, according to the National Center for Biotechnology Information. Ingestion can be fatal.

Gualtieri said he didn't know what physiological effects would result from the concentration dialed up in the attack. Nor was it immediately apparent whether a similar attack had ever happened in the U.S. In 2007, the water of a town in Massachusetts was accidentally treated with too much lye, causing burns and skin irritation among people who showered with it.

"I'm not a chemist," Gualtieri said. "But I can tell you what I do know is ... if you put that amount of that substance into the drinking water, it's not a good thing." Jack Evans, Tampa Bay *Times*, February 9, 2021.

## **12. HEALTH INSURANCE SCAMS CAN COST YOU BIG:**

In 2018, [we told you about Simple Health](#), a group of companies that the FTC says tricked people into signing up for what the companies told them was comprehensive health coverage that met Affordable Care Act standards. Instead, people wound up with premiums as high as hundreds of dollars a month for coverage the FTC says was nowhere near the full, ACA-qualified coverage Simple Health promised. And as some of its customers were stuck with thousands of dollars in medical bills, Simple Health collected more than \$195 million because of its deception, according to the case.

Today, the [FTC announced a proposed settlement](#) with Simple Health's Chief Compliance Officer that, among other things,

would ban her from advertising, marketing or selling any healthcare-related products. The settlement includes a monetary judgment of \$195.5 million, which is suspended due to the defendant's inability to pay. The FTC's litigation against the other defendants is ongoing.

Before you sign up and pay for health coverage, protect yourself by finding out what you're really getting versus what the plan advertises. That's info you can use in the Special Enrollment Period for health care coverage, open from February 15 – May 15, 2021, which we just told you about earlier today. And if you find out about dishonest marketing practices, report it to the FTC at ReportFraud.FTC.gov. Lisa Lake, Consumer Education Specialist, FTC, www.ftc.gov, February 4, 2021.

### **13. DOUBLE-CHECK FOR MISSING OR INCORRECT FORMS W-2, 1099 BEFORE FILING TAXES:**

With some areas seeing mail delays, the Internal Revenue Service reminds taxpayers to double-check to make sure they have all of their tax documents, including Forms W-2 and 1099, before filing a tax return.

The IRS reminds taxpayers that many of these forms may be available online. When other options aren't available, taxpayers who haven't received a W-2 or Form 1099 should contact the employer, payer or issuing agency directly to request the missing documents before filing their 2020 federal tax return. This also applies for those who received an incorrect W-2 or Form 1099.

Those who don't get a response, are unable to reach the employer/payer/issuing agency or cannot otherwise get copies or corrected copies of their Forms W-2 or 1099 must still file their tax return on time by the April 15 deadline (or October 15 if

requesting an automatic extension). They may need to use Form 4852, Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. to avoid filing an incomplete or amended return.

If the taxpayer doesn't receive the missing or corrected form in time to file their tax return by the April deadline, they may estimate the wages or payments made to them, as well as any taxes withheld. Use Form 4852 to report this information on their federal tax return.

If the taxpayer receives the missing or corrected Form W-2 or Form 1099-R after filing their return and the information differs from their previous estimate, they must file [Form 1040-X](#), Amended U.S. Individual Income Tax Return. For additional information on filing an amended return, see [Topic No. 308](#) and [Should I File an Amended Return?](#)

Taxpayers should allow enough time for tax records to arrive in the mail before filing their 2020 tax return. In a normal year, most taxpayers should have received income documents near the end of January, including:

- Forms W-2, Wage and Tax Statement
- Form 1099-MISC, Miscellaneous Income
- Form 1099-INT, Interest Income
- Form 1099-NEC, Nonemployee Compensation
- Form 1099-G, Certain Government Payments; like unemployment compensation or state tax refund

### **Incorrect Form 1099-G for unemployment benefits**

Millions of Americans received unemployment compensation in

2020, many of them for the first time. This compensation is taxable and must be included as gross income on their tax return.

Taxpayers who receive an incorrect Form 1099-G for unemployment benefits they did not receive should contact the issuing state agency to request a revised Form 1099-G showing they did not receive these benefits. Taxpayers who are unable to obtain a timely, corrected form from states should still file an accurate tax return, reporting only the income they received.

### **Use IRS.gov**

IRS tax help is available 24 hours a day on IRS.gov, the official IRS website, where people can find answers to tax questions and resolve tax issues online. The Let Us Help You page helps answer most tax questions, and the IRS Services Guide links to other important IRS services. IRS Newswire, IR-2021-33, www.irs.gov, February 9, 2021.

## **14. COMMON AND COSTLY ERRORS TAXPAYERS SHOULD AVOID WHEN PREPARING A TAX RETURN:**

Electronically filing a tax return reduces errors because the tax software does the math, flags common errors and prompts taxpayers for missing information. It can also help taxpayers claim valuable credits and deductions.

Using a reputable tax preparer – including certified public accountants, enrolled agents or other knowledgeable tax professionals – can also help avoid errors.

The IRS urges all taxpayers to file electronically and choose direct deposit to get their refund faster and avoid pandemic-related paper delays. IRS Free File offers online tax

preparation, direct deposit of refunds and electronic filing, all for free. Some options are available in Spanish.

**Here are some common errors taxpayers should avoid when preparing a tax return:**

- **Missing or inaccurate Social Security numbers.** Each SSN on a tax return should appear exactly as printed on the Social Security card.
- **Misspelled names.** Likewise, a name listed on a tax return should match the name on that person's Social Security card.
- **Incorrect filing status.** Some taxpayers choose the wrong filing status. The [Interactive Tax Assistant](#) on IRS.gov can help taxpayers choose the correct status especially if more than one filing status applies. Tax software also helps prevent mistakes with filing status.
- **Math mistakes.** Math errors are some of the most common mistakes. They range from simple addition and subtraction to more complex calculations. Taxpayers should always double check their math. Better yet, tax prep software does it automatically.
- **Figuring credits or deductions.** Taxpayers can make mistakes figuring things like their [earned income tax credit](#), [child and dependent care credit](#), and [recovery rebate credit](#). If someone is eligible for a recovery rebate credit – and either didn't receive Economic Impact Payments or received less than the full amounts – they must file a 2020 tax return to claim the credit even if they don't usually file. The [Interactive Tax Assistant](#) can help determine if a taxpayer is eligible for tax credits or deductions. Tax software will calculate these credits and deductions and include any required forms and schedules.

- **Incorrect bank account numbers.** Taxpayers who are due a refund should choose direct deposit. This is the fastest way for a taxpayer to get their money. However, taxpayers need to make sure they use the correct routing and account numbers on their tax return.
- **Unsigned forms.** An unsigned tax return isn't valid. In most cases, both spouses must sign a joint return. Exceptions may apply for members of the armed forces or other taxpayers who have a valid power of attorney. Taxpayers can avoid this error by filing their return electronically and digitally signing it before sending it to the IRS.
- **Filing with an expired individual tax identification number.** If a taxpayer's ITIN is expired, they should go ahead and file using the expired number. The IRS will process that return and treat it as a return filed on time. However, the IRS won't allow any exemptions or credits to a return filed with an expired ITIN. Taxpayers will receive a notice telling the taxpayer to renew their number. Once the taxpayer renews the ITIN, the IRS will process return normally.

COVID Tax Tip 2020-17, [www.irs.gov](http://www.irs.gov), February 10, 2021.

**15. WORD PLAY - FOR THOSE WHO LOVE WORDS:**

"Turtle" vs. "Tortoise" - is there *really* a difference? Find out [here](#).

**16. A THOUGHT FOR TODAY:**

"In every day, there are 1,440 minutes. That means we have 1,440 daily opportunities to make a positive impact." -Les Brown

**17. TODAY IN HISTORY:**

On this day in 1993, President Clinton selects Janet Reno to be first female US Attorney General.

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