



1. NEW RESEARCH SHOWS THE ECONOMIC BENEFITS OF PENSIONS:

The National Institute on Retirement Security (NIRS) released an updated [report](#) showing how spending from defined-benefit pensions boosts economies in communities across the country. The report is divided into three sections that measure pensions' economic impact: the total amount of pension benefits paid out to participating workers, expenditures from these benefits, and the economic output they supported (jobs, tax revenue, etc.). The Florida report is the following item in this Newsletter.

In 2018, NIRS found that \$578.7 billion in pension benefits were distributed to nearly 24 million retirees of both the private and public sector. Of that \$579.7 billion, \$308.7 billion was paid out to 11 million retired state and local public employees and beneficiaries.

In the hands of recipients, these dollars stimulated the economy. The report calculated that pension spending supported nearly 7 million American jobs. Pension spending supported jobs in most sectors of the economy, from more than 840,000 jobs in retail stores and restaurants to almost half a million jobs in hospitals and nursing and community care facilities. It also generated \$1.3 trillion in total economic output nationwide. Another way to look at it is that each dollar paid out in benefits supported \$2.19 in total economic output.

This spending also provides valuable tax revenue, supporting \$191.9 billion in federal, state, and local tax revenue, showing that pensions can be a great source of tax revenue at all levels of government.

Tax revenue also wasn't the only benefit taxpayers saw from pension spending. Because pension plans are pre-funded, only a small portion of pension funding comes directly from taxpayers. According to NIRS, investment earnings made up 64.07% of state and local pension contributions between 1993 and 2018. NIRS found that, for each taxpayer dollar that was contributed to public pensions, it supported \$8.80 in total economic output. Since investment earnings make up the bulk of a plan's funding, each taxpayer dollar invested into public pensions will have a greater multiplier effect because "only 24.86 cents of every dollar paid out in pension benefits in 2018 was generated through taxpayer contributions," according to NIRS.

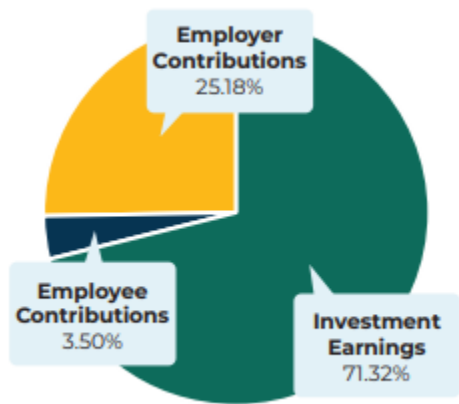
This new report from NIRS proves that public pensions provide an excellent return on investment for communities throughout the nation, and you can find state-specific information on how pensions have benefited your state [here](#). Tristan Fitzpatrick, NPPC, <https://protectpensions.org>, January 13, 2021.

2. FLORIDA PENSIONOMICS 2021; MEASURING THE ECONOMIC IMPACT OF DB PENSION EXPENDITURES:

Expenditures made by retirees of state and local government provide a steady economic stimulus to Florida communities and the state economy. In 2018, 471,769 residents of Florida received a total of \$11.6 billion in pension benefits from state and local pension plans.

The average pension benefit received was \$2,051 per month or \$24,611 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.

Between 1993 and 2018, 25.18% of Florida's pension fund receipts came from employer contributions, 3.50% from employee contributions, and 71.32% from investment earnings. Earnings on investments and employee contributions--not taxpayer based contributions--have historically made up the bulk of pension fund receipts.



Impact on Jobs and Incomes

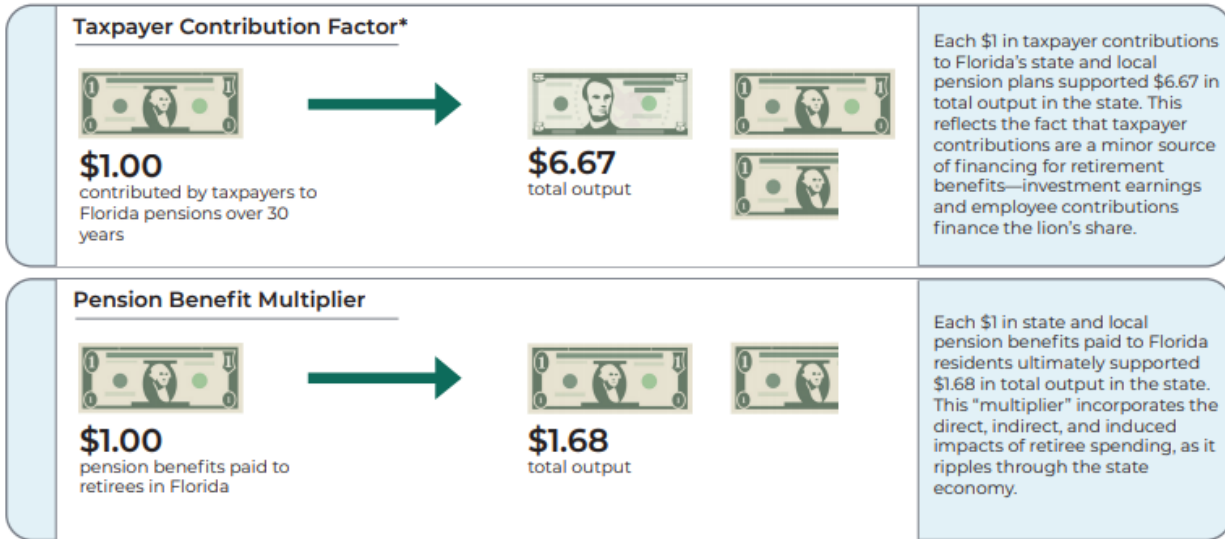
Retiree expenditures stemming from state and local pension plan benefits supported 123,246 jobs in the state. The total income to state residents supported by pension expenditures was \$5.9 billion. To put these employment impacts in perspective, in 2018 Florida’s unemployment rate was 3.6%. The fact that DB pension expenditures supported 123,246 jobs is significant, as it represents 1.40 percentage points in Florida’s labor force.

Economic Impact

State and local pension funds in Florida and other states paid a total of \$11.6 billion in benefits to Florida residents in 2018. Retirees’ expenditures from these benefits supported a total of \$19.5 billion in total economic output in the state, and \$10.8 billion in value added in the state. \$8.7 billion in direct economic impacts were supported by retirees’ initial expenditures. An additional \$5.9 billion in indirect impact resulted when these businesses purchased additional goods and services. \$4.9 billion in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.



Economic Multipliers



*Caution should be used in interpreting these numbers. See the Technical Appendix of the full Pensionomics report for details.

Impact on Tax Revenues

State and local pension payments made to Florida residents supported a total of \$2.7 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$359.9 million. Taxes attributable to direct, indirect, and induced impacts accounted for \$2.3 billion in tax revenue.

Federal Tax	\$1.7 billion
State/Local Tax	\$1.0 billion
Total	\$2.7 billion

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Florida. The ten industry sectors with the largest employment impacts are presented in the table below.

Industry	Employment Impact (# Jobs)	Labor Income Impact	Value Added Impact	Output Impact
Full-service restaurants	6,144.50	\$171,964,504	\$255,812,636	\$435,721,283
Limited-service restaurants	5,850.10	\$126,920,510	\$207,688,261	\$452,628,016
Hospitals	5,384.50	\$400,659,687	\$481,045,350	\$932,375,475
Other real estate	4,209.40	\$79,368,476	\$278,194,103	\$772,449,859
Offices of physicians	3,903.10	\$386,577,905	\$466,397,691	\$698,983,811
Retail - Food and beverage stores	3,274.80	\$96,897,852	\$143,507,305	\$238,449,043
Retail - General merchandise stores	3,193.40	\$97,504,246	\$145,902,130	\$233,343,941
Nursing and community care facilities	2,794.80	\$108,941,599	\$123,439,454	\$218,946,981
Other financial investment activities	2,356.20	\$45,162,144	\$52,310,477	\$242,517,616
Offices of other health practitioners	2,103.60	\$102,514,357	\$94,496,997	\$143,361,469

Industry totals include the first round of impacts from pension payments to state residents, and do not account for recaptured "leakage" to or from other states.

Click [here](https://www.nirsonline.org) to download a copy of this report. National Institute on Retirement Security, <https://www.nirsonline.org>.

3. STATE PENSION PLAN HITS RECORD \$114.9 BILLION DESPITE PANDEMIC'S MARKET DISRUPTION:

Despite economic upheaval, massive job losses, business shutdowns and uncertainty in the investment market throughout 2020 due to the COVID-19 pandemic, the state pension plan achieved a record \$114.9 billion valuation entering 2021.

The \$114.9 billion estimated market value on Dec. 31, 2020 -- even after paying out more than \$6.5 billion in gross benefits -- showed a \$9.3 billion gain over the Dec. 31, 2019, value of \$105.6 billion. The earnings were \$20.7 billion above the 2018 year-end figure of \$94.2 billion. The 2020 figures could change slightly, depending on official results from the monthly auditing process that should be concluded by the end of this month.

For the 2020 calendar year the estimated return on investment was 11%, exceeding the 7% actuarial rate of return target. The pension plan, formally known as the North Carolina Retirement Systems, has now exceeded the actuarial rate of return three of the past four years while maintaining a conservative risk profile. Return numbers were 13.53% in 2017, and 14.88% in 2019. Returns showed a – 1.47% return in 2018 due to major stock market indexes posting their worst annual performances in a decade.

For the first six months of the fiscal year that started July 1, 2020, the pension plan earned an estimated 11.6% rate of return.

By exceeding the investment return goal in 2020 an additional \$3 billion is available to help offset \$11.5 billion in unfunded liabilities in the Teachers' and State Employees' Retirement System. It will add about \$1 billion above expectations to help offset \$3.3 billion of unfunded liabilities in the Local Governmental Employees' Retirement System. Those higher earnings are critical as the interest on the unfunded debt continues to accumulate.

Although the state pension plan is among a handful of the best funded in the nation, the most recent data available shows the Teachers' and State Employees' Retirement System has an \$11.5 billion unfunded liability, and the Local Governmental Employees' Retirement System is underfunded by \$3.3 billion.

"The largeness and strength of the state pension plan and staying the course on a decades-long conservative management strategy instead of panicking and chasing risky get-rich-quick investment schemes led to a phenomenal year for the state employees, retirees and taxpayers who are stakeholders in the pension plan," said state Treasurer Dale R. Folwell, CPA.

The plan's performance is all the more remarkable when considering its value dropped to an estimated \$93.6 billion on March 23, 2020, at the height of the pandemic scare, but rebounded by nearly 23% to record-setting numbers just nine months later, Treasurer Folwell said.

"The credit for that turnaround goes to Christopher Morris and Jeff Smith, the co-CIOs of our Investment Management Division, and their oversight of one of the most seasoned teams in the nation," Treasurer Folwell said. "Our ability to grow an already secure pension plan that is the 26th largest pool of public money in the world not only puts current and future retirees at ease but ensures that North Carolina's coveted Triple-A bond rating is not jeopardized."

Treasurer Folwell added that bond rating from all three national rating agencies enables the state and local governments to obtain low interest rates when taking on debt to fund capital projects, thus saving taxpayers' money.

"We are in the check delivery business, sending out more than \$551 million every month to more than 336,000 retirees who can count on us to keep the money coming," Treasurer Folwell said.

Sandhills *Sentinel*, <https://sandhillssentinel.com>, January 14, 2021.

4. AUSTIN FIREFIGHTERS DONATE TO PROTECT PENSIONS:

The political action committee for Austin firefighters was busy the last month of 2020, donating more than \$50,000 to Texas lawmakers. Their donations included \$10,000 to Rep. Dade Phelan (R-Beaumont), who was elected to be speaker of the Texas House, and \$5,000 to Gov. Greg Abbott.

Bob Nicks, president of the Austin Firefighters Association, told the *Austin Monitor*, “It’s just a long-term plan we have to make sure we have relationships with people” in the Legislature “to make sure our pension stays protected.” Firefighters and other first responders worry that the Legislature will change the rules for retirees, reducing their pensions or making them work longer.

“Some things get filed every year,” he said, that try “to eliminate the independence of pensions. That’s why we give money to Republicans and Democrats in the state Senate.”

In December, Austin firefighters donated \$5,000 each to Republican Sens. Charles Perry of Lubbock, Bryan Hughes of Mineola and Democrat Judith Zaffirini, whose Senate district stretches from South Austin to Laredo. César Blanco (D-El Paso) received \$3,000 as did Brandon Creighton (R-Conroe). The PAC also gave \$2,000 each to Republican Reps. Doc Anderson of Waco and Charlie Geren of Fort Worth.

Nicks did not express any particular concern about legislation to eliminate the independence of Austin firefighters’ pensions this year. However, he said his union might be interested in legislation that would provide an exception to the 3.5 percent property tax cap enacted by the Legislature in 2019. The exception would apply in instances where a fire department was found to be deficient in meeting a national standard, he said, stressing that no decision had been made about pursuing such legislation.

Other firefighter PAC donations include \$1,000 to San Antonio Sen. José Menéndez and Houston Rep. Senfronia Thompson, both Democrats. The group donated \$1,000 each to Rep. Hugh Shine (R-Temple), Rep. Drew Darby, (R-San Angelo), Rep. John Cyrier (R-Lockhart), and Rep. Ryan Guillen (D-Rio Grande City).

Also receiving \$1,000 contributions in December were Austin Reps. Sheryl Cole, Gina Hinojosa, Vikki Goodwin, Donna Howard, and Eddie Rodriguez, all Democrats. Nicks said the group had also donated to Austin Rep. Celia Israel, also a Democrat, but the donation was not in the paperwork submitted to City Clerk Jannette Goodall. The firefighters PAC also donated \$10,000 to newly elected state

Sen. Sarah Eckhardt in October and \$5,000 to Rep. Drew Springer (R-Muenster) on Nov. 23.

Springer won his new Senate seat in a [special election](#). Nicks said firefighters had donated about \$36,000 overall to Springer, knowing he has been a strong supporter of firefighters. He added that he has worked with Springer on wildfire issues and became friends with him. Nicks was committed enough to Springer's election that he went up to North Texas to walk door-to-door to turn out the vote for him, he said.

In addition to other donations, the December PAC report shows that Austin firefighters donated \$500 to Rep. Four Price (R-Amarillo), as well as Reps. Phil King (R-Weatherford) and Lyle Larson (R-San Antonio). Council members Alison Alter and Jimmy Flannigan each received \$400 from the PAC, the maximum allowable under city ordinance, for the December runoff election. Alter won her race. Jo Clifton, Austin Monitor, <https://www.austinmonitor.com>, January 13, 2021.

5. MAINE PUBLIC EMPLOYEES BOOSTS TARGET TO ALTERNATIVE CREDIT:

Maine Public Employees' Retirement System, Augusta, increased its target to alternative credit to 7.5% from 5%, said James Bennett, chief investment officer.

The \$16.1 billion pension fund's board also approved lowering the target to risk diversifiers to 7.5% from 10% at its meeting recently, Mr. Bennett said. The alternative credit target was originally created in 2016, and it has been the pension fund's plan for a while to increase the target, and now that the 5% target has been reached, that accounts for the timing of the increase, Mr. Bennett said.

"We like alt credit's risk-return profile, and this change will allow us to deploy additional capital into the asset class," he said in an email.

Regarding the decrease in risk diversifiers, MainePERS' current actual allocation to the asset class is 6.5%, "so the reduction in that asset class will just reflect our current situation," he said.

Mr. Bennett said he does not expect any manager changes as a result of the shift in allocation.

The pension fund's other targets are 30% public equities; 15% private equity; 10% each infrastructure and real estate; 7.5% each traditional credit and U.S. government fixed income; and 5% natural resources. Rob Kozlowski, *Pension &*

Investments, www.pionline.com, January 15, 2021.

6. STATE PLAN FUNDING RATIOS JUMP IN Q4:

U.S. state pension plans' estimated aggregate funding ratio reached 78.6% as of Dec. 31, over 6 percentage points higher than a quarter earlier, according to a [Wilshire Associates](#) report.

The report attributed the estimated ratio's increase from 72.3% as of Sept. 30 to a 9.5% increase in asset values partially offset by a liability value increase of 0.8%.

The aggregate funding ratio as of Dec. 31 also represented an overall 3.8 percentage-point increase from the ratio of 74.8% a year earlier, the report said.

"A third consecutive quarterly increase in asset values of 9.5%, following the 11.8% and 5.1% increases in the second and third quarters, respectively, more than fully reversed the funded ratio decline during the first quarter and resulted in an estimated funded ratio increase of nearly 4 percentage points over calendar year 2020," said Ned McGuire, managing director at Wilshire Associates, in a news release announcing the results of the report.

The assumed asset allocation of Wilshire's 2020 state funding study is 29% domestic equities, 22% core fixed income, 18% international equities, 15% real assets, 10% private equity and 6% high yield bonds. Rob Kozlowski, *Pension & Investments*, www.pionline.com, January 20, 2021.

7. DOL GUIDANCE ON MISSING PENSION PLAN PARTICIPANTS:

The Department of Labor ("DOL") has undertaken a nationwide compliance initiative to ensure that retirement plan participants receive the benefits that they were promised when they reach their retirement age. To that end, the DOL recently issued three pieces of guidance – (i) [Missing Participants - Best Practices for Pension Plans](#) ("Best Practices"), (ii) [Field Assistance Bulletin No. 2021-01](#) ("FAB 2021-01") and (iii) [Compliance Assistance Release No. 2021-01](#) ("CAB 2021-01"). This blog post addresses the Best Practices guidance. FAB 2021-01 (which describes the DOL's temporary enforcement policy regarding use of the Pension Benefit Guaranty Corporation's Missing Participant Program by terminating defined contribution plans) and CAB 2021-01 (which is a memorandum to the DOL's Regional Directors intended to facilitate consistent audit practices in the DOL's Terminated Vested Participant enforcement project and voluntary compliance by fiduciaries) will be addressed in a separate post.

The Best Practices guidance issued by the DOL is intended to help retirement plans (i) establish procedures to maintain complete and accurate census information (record-keeping), (ii) communicate with participants and beneficiaries about their eligibility for benefits (communication strategies), and (iii) implement effective procedures for locating missing participants and beneficiaries (missing participant searches). The DOL believes that the implementation of good procedures will reduce the number of missing and non-responsive participants. The guidance is not legally binding on plan fiduciaries; the intent is to provide clarity and tools for plan fiduciaries.

Identifying Problems

The first step towards establishing good procedures is for plan fiduciaries to identify problems with their plans. The Best Practices guidance identifies the following “red flags” indicating that a plan may have a missing participant problem:

- more than a small number of missing or nonresponsive participants;
- more than a small number of terminated vested participants who have reached the plan’s normal retirement age, but have not commenced benefits;
- missing, inaccurate, or incomplete contact information and/or census data (e.g., addresses, emails, birthdates);
- the absence of procedures for handling undeliverable mail, email, and uncashed checks.

Examples of Best Practices

Based on its review and audit of retirement plans, the DOL has compiled lists of best practices for recordkeeping, communication strategies, and missing participant searches.

Recordkeeping. Retirement plan fiduciaries need to ensure that the plans maintain accurate data for plan participants. Practices that help fiduciaries reach this goal include:

- contacting participants and beneficiaries periodically to confirm or update their contact information and including change requests and reminders in plan communications;
- maintaining an online platform that participants and beneficiaries may use to update contact information, and providing prompts to confirm and update contact information when participants and beneficiaries log in;
- requesting regular updates from participants for beneficiary designations;

- ensuring updated information is incorporated into plan census information;
- flagging undeliverable mail and email and uncashed checks for follow-ups;
- regularly auditing census information and correcting data errors; and
- ensuring that plan information and relevant employee records are properly transferred when there is a change in record-keepers or a business merger, acquisition, or sale involving the plan sponsor.

Communication Strategies. Plan fiduciaries may reduce problems associated with missing and non-responsive participants by using effective communication strategies such as:

- using plain language and offering non-English language assistance;
- stating communication topics up-front and in a prominent manner;
- encouraging contact through plan and employer websites and toll-free numbers;
- obtaining updated contact information as part of the plan enrollment process for new employees and as part of the exit process for terminating employees;
- using the original sponsor and plan name in correspondence to participants who separated from service before a change in the plan name or sponsor; and
- communicating information on how participants may consolidate retirement accounts by rolling over accounts from prior employer plans and rollover IRAs into the plan.

Missing Participant Searches. Even plans that have well established record-keeping and communication procedures likely will have missing or non-responsive participants and beneficiaries. When this occurs, the DOL suggests the following search strategies:

- attempting contact via email address, telephone and text numbers, and social media;
- checking related plan records and employer records for participant, beneficiary, and next of kin or emergency contact information;
- checking with designated beneficiaries and emergency contacts for updated information;
- using online search engines, public records, and social media;
- using a commercial locator service;
- sending a communication to the person's last known address via certified mail or a private delivery service with tracking features;
- Using death searches (e.g., obituaries, Social Security Death Index) and redirecting communications to beneficiaries;

- reaching out to the missing person’s colleagues, other retirees, and union offices; and
- publishing missing participants on the plan sponsor’s intranet and in employee communications, registering missing participants on registries (e.g., the National Registry of Unclaimed Retirement Benefits) and publicizing the registry in employee, retiree, and union communications.

If there are privacy concerns associated with one or more of these strategies, the plan may ask a party to forward a communication to the missing person instead of disclosing contact information.

Documentation. As with any good fiduciary practice, the procedures established by plan fiduciaries and actions taken should be documented by:

- written plan procedures to ensure clarity and consistency;
- a written record of key decisions and actions taken; and
- clear expectations for services performed by third-party administrators in service agreements, and regular review of their performance.

Although plan fiduciaries may delegate record-keeping, participant communication, and missing participant searches to third-party administrators, plan fiduciaries must ensure that the delegate has established and is following sound procedures. Plan fiduciaries are ultimately responsible for ensuring benefits are paid accurately and timely under the retirement plan.

The DOL recognizes that not all practices outlined in the Best Practices guidance are appropriate for every plan. Plan fiduciaries should adopt practices that (i) are appropriate for their plan participant populations and (ii) will produce the best results in a cost-effective manner. However, best practices should be used as part of the plan’s fiduciary compliance strategies, not just as a fix when a problem arises (e.g., a plan is terminating and participants are missing). The use of best practices promotes efficient plan administration. In addition, by establishing good policies and procedures, following the procedures, and documenting the procedures and decisions made, plan fiduciaries ensure they are satisfying their obligations under ERISA to act prudently and for the exclusive benefit of plan participants and beneficiaries. Kimberly S. Couch, Attorney, Verrill Law, <https://www.verrill-law.com>, January 18, 2021.

8. COULD STATES CASH IN ON THE CRYPTOCURRENCY CRAZE?

Speculators worldwide have gone gaga over Bitcoin, the progenitor of numerous cryptocurrencies that has rocketed in price over recent years. From a value near

zero when launched in 2009, Bitcoin has traded briefly [at over \\$40,000 per coin](#) in what has quickly exploded to become [a trillion-dollar global cryptocurrency market](#). Several prominent and even institutional investors have joined the craze.

Normally, prudent pension trustees would steer clear of such highflyers as unduly speculative, but what if their cost as founders was zero? What if states, acting together shrewdly, were to pop up their own cryptocurrency to compete with Bitcoin and its crypto-copycats? Public finance and pension professionals might give a serious look at whether there could be a hidden treasure for taxpayers in the scenario presented below -- a "[straw man](#)" proposal intended to generate exploratory professional and policy discussions.

There's nothing new about public-sector involvement with cryptocurrency. In 2018, for example, *Governing* reported on Berkeley, Calif.'s plan to [issue bonds using the blockchain technology](#) that underlies cryptocurrency. Consultants at Deloitte published [a paper on state-sponsored cryptocurrencies](#). Ohio experimented briefly with [Bitcoin for tax payments](#). And two Virginia public pension funds have [invested in a blockchain venture](#) empowered to own crypto.

Before getting into the larger picture of how states and pension funds might profit from cryptocurrencies, though, a primer on the subject: Central banks globally have been [monetizing national debt](#) -- creating new money out of thin air -- by expanding [reserve bank credit](#) at big banks that ultimately gets loaned out in the real economy. The crypto crowd is betting that this inflates the dollar value of the finite supply of bitcoins that was baked into its exotic algorithm by [its pseudonymous founder](#). The blockchain technology that creates a permanent ledger of ownership and transfer of each bitcoin is now an article of faith among those who exchange their dollars for this new electronic money. [TV ads](#) exhort investors to trade out of hard assets like gold and fine art to buy into crypto. Who needs to hoard gold when you can carry a fortune in bitcoin in your phone?

So what could possibly go wrong? For one thing, Bitcoin's [soaring price chart](#) evokes a familiar pattern in investment bubbles. It's informative to skim the classic book on bubbles, [Extraordinary Popular Delusions and the Madness of Crowds](#), written by Scottish journalist Charles McKay in 1841. It describes the [South Sea Company](#) and [Mississippi Company](#) bubbles of the early 1700s and [the Dutch tulip mania](#) of 1637; in the latter, a single tulip bulb was auctioned for the price of a house before the crazed speculators collectively realized that they were just flowers with no investment value. All of these speculative frenzies ended badly for the suckers who bought on the way to the top.

What today's speculators overlook is that Bitcoin is just one of many cryptocurrencies that can be "minted." And the hotter this market becomes, the more that copycats will be incentivized to create the next crop of crypto. As [an asset class](#), the supply of blockchain currencies is unlimited.

But cryptocurrency's advocates -- crypto bulls -- consider this an unfair objection: The value of Picassos and Rembrandts, they point out, is not impaired by the fact that other artists have come along. They swear by a scarcity factor that rewards holders of a finite supply of a specific brand. What has worked for fine art for centuries, they say, will work for crypto just as well: Over time, the value of a given Picasso or a bitcoin must escalate because they cannot be replicated, and Bitcoin's price will be undergirded by the expansion of the central-bank money supply as governments persistently run budget deficits.

Which brings us to the public sector's opportunity to "manufacture" its own crypto. There is nothing, except a lack of innovation, collaboration, technical savvy, good legal work and skillful marketing, that precludes our 50 states from creating their own cryptocurrency. For fun, let's call them "[Madisons](#)." An interstate compact, with an independent trustee to protect owners' interests and a legally enforceable contract supported by a blockchain ledger of the Madisons' ownership, would be every bit as secure for purchasers as the magical, mystical algorithm that Bitcoin enthusiasts consider unbreakable. Each state could contractually convey its entire finite allotment of digital Madisons to their respective pension funds at zero initial value and then let the market price float higher, chasing Bitcoin.

Unlike insolvent nation-state sponsors that have every incentive to unilaterally devalue and manipulate their own cryptocurrencies, the magic of an American interstate crypto compact is that, if well written, the contractual obligations -- of each state to others, to the trustee, and to future owners -- would be legally enforceable and irrevocable. Additional issuance of Madisons or related substitutes can be contractually prohibited, making these the most scarce of the popular cryptocurrencies. A secure and patented [anti-money-laundering](#) blockchain portal could catapult Madisons to become the preferred tax payment cryptocurrency of governments worldwide, at all levels.

The total supply might be set at, say, one Madison for every 20 residents of the founding states. That would make them rarer than bitcoins, forever. Any foot-dragging states that sign on later would incur a mathematical reapportionment of their allotment, precluding windfalls for fence-sitters and benefiting the earlier adopters. As with [the "float" in a stock exchange IPO](#), such digital coins could be dribbled into the market each year by the public pension funds, making Madisons

even more scarce and profitable to pioneering institutional investors than Bitcoin while making the pension funds' reserves more valuable over time. Profits from sales by the pension funds should be used first to defray pre-existing unfunded liabilities, then employer costs.

Even with speculative-bubble selloffs and competing cryptocurrencies, Madisons should legitimately keep some scarcity value against the dollar, giving the pension funds a windfall asset to carry at zero cost on their books. Using [the long-term price that JP Morgan projects](#) for Bitcoins alone, it's not inconceivable that the Madisons' hypothetical share of market someday might equal the unfunded liabilities of all public pension plans, even if the actual proceeds gleaned by the funds fall far below that hypothetical ceiling.

Obviously there are hurdles: First would be legal issues, including [the constitutional rights of the federal government](#) versus the states to print money as legal tender. But Bitcoin is not legal tender -- required by law to be accepted as payment -- so the grounds for constitutional arguments are squishy. Second, to be commercially successful, such a state consortium would need a skilled marketing agent to control and promote placement on crypto platforms. And third, getting even 10, let alone 50, states to take the idea seriously and then agree on anything like this would be a harder challenge than herding cats in a barn full of mice.

Nobody should consider the minting of Madisons a "Hail Mary" panacea for funding underwater pension funds, but it's plausible that the funds could be natural depositories to warehouse, remarket and profit from such a novel cryptocurrency. And every element of this straw man is technologically achievable. Meanwhile, Bitcoin bulls, don't ever say you were never warned. Girard Miller, *GOVERNING*, www.governing.com, January 19, 2021.

9. HELPING WORKERS REBUILD THEIR RETIREMENT SAVINGS POST-PANDEMIC:

Many workers might have tapped into their retirement savings or cut back on or completely eliminated their contributions due to the coronavirus pandemic. And some employers might have cut back on or suspended their matches as well. Some workers might have panicked when the markets tumbled in March and even gone so far as to take their money out of the market and been too afraid to get back in, thereby losing tens of thousands of dollars of retirement savings.

Sandy Pappa, a principal in Buck's wealth practice, says employers are acutely aware of these setbacks and are "experiencing a lot of consternation about what to do to help employees."

Pappa says the first thing employers should do is to figure out which employees were impacted by the pandemic and send targeted messages to them. “The first message employers should underscore is to encourage people to save in the plan,” she says. “That will impact how much retirement income they will have when they are ready to retire.”

The next thing employers need to address, for all employees, is allaying their fears over [market volatility](#), says Elizabeth Woodburn, director of the engagement practice at Buck. “If employers don’t address this topic, employees won’t hear anything else they have to say,” Woodburn says. “Speak to them about how markets have behaved and bounced back after other crises. Recordkeepers can help you there with all kinds of statistics.”

The next thing employers should do is educate their employees about all the benefits available to them and ensure that they know where to find information about them, says Charlie Nelson, CEO of retirement and employee benefits at Voya. “Many individuals are not fully aware of all of the benefits available to them, particularly voluntary benefits such as [critical accident or hospital indemnity insurance](#). These will give them some financial protection in case of an emergency.”

In line with that, many workers and employers alike have a newfound appreciation for the importance of having [emergency savings](#), as well as replenishing those savings if they have been used during the pandemic, Nelson says. In fact, he says, he expects more employers will establish automatic emergency savings accounts alongside retirement plans.

Pappa says it is also important to let people know that if they took out a coronavirus-related loan, they have three years to repay it, starting in the year they took the distribution. “This will ease their tax burden,” she says.

For those employers that suspended or curtailed their matches last year and are reinstating them, that is a great message to get across to employees, Woodburn says. “This would be a great time to dangle that carrot in front of employees,” she adds.

During the pandemic, many recordkeepers waived fees for loan initiations and distributions, Woodburn notes. “Now may be a good time for sponsors to temporarily pay plan administrative costs,” she suggests.

Plan sponsors that don't already automatically enroll or escalate their workers' savings should consider these critical plan design elements, as well as re-enrollment, says Pete Welsh, head of retirement services at Millennium Trust.

And, if an employer is going to implement auto-enrollment, they need to automatically enroll their workers at a meaningful savings rate of 6% or higher rather than the long-accepted 3% rate, adds Sri Reddy, senior vice president, retirement and income solutions at Principal.

Workers are also looking for financial wellness programs from their employers, says Shane Bartling, senior director, retirement, at Willis Towers Watson. This is particularly true for women and minorities, who are more likely to work for small to mid-sized companies, which have been the hardest hit during the pandemic, Bartling notes. Workers are also hungering for advice from independent financial counselors, he adds.

Finally, the message to employees should be that every little bit of savings helps, and they should be encouraged to increase their savings this year and next year, Woodburn says.

Woodburn adds that plan sponsors should make the messages engaging, even if they are about dollar-cost averaging and volatility. "Make it actionable and use humor," she suggests. Lee Barney, *PLANSPONSOR*, www.plansponsor.com, January 15, 2021.

10. HOW TO MAKE SURE YOUR SPOUSE GETS YOUR RETIREMENT SAVINGS WHEN YOU DIE:

If you designate beneficiaries for your retirement accounts, that's usually a surefire way to pass those assets directly to your desired heirs without going through probate--but not always.

Because those beneficiary designations are so important, you should verify your choices every year in case there's a change due to, say, marriage, birth, divorce or death. Especially marriage and divorce. Which brings me to a crucial issue: When dealing with IRA and 401(k) beneficiary designations, there's a key difference when it comes to your spouse.

In general, a spouse who hasn't been named beneficiary of an IRA isn't entitled to inherit it. Unlike 401(k) plans, IRAs aren't governed by ERISA--the Employee Retirement Income Security Act--so these accounts don't have the same protections for spouses. You're free to name whoever you wish as your IRA

beneficiary, even if you're married, provided you don't live in a community property state. Indeed, IRAs are excluded from ERISA coverage, even if the funds originated in a 401(k).

By contrast, under ERISA, if the owner of a 401(k) account is married when he or she dies, his or her spouse is automatically entitled to receive money, regardless of what the beneficiary designation says. The exact percentage seems to be a matter of some disagreement--some lawyers say 50%, while others put it at 100%. If there's no beneficiary listed, the spouse is entitled to 100% of the account.

The spouse can sign a waiver, giving up his or her claim to the account, but only if the spouse is at least 35 years of age. It isn't enough just to name someone else on the beneficiary form that your employer gives you. The waiver must be filled out, with the spouse consenting to the participant's choice of beneficiary. If your spouse signs the waiver, which should be provided by the firm that administers your 401(k), a plan representative or a notary public must act as a witness. Why all this bother? Congress wanted to make sure surviving spouses weren't shortchanged.

Beneficiary designations for 401(k)s become particularly tricky with divorces and remarriages. The right of the surviving spouse is triggered, regardless of when the assets were amassed or how long the couple has been married. That said, there's a potential exception: Plans can include a one-year marriage rule, whereby a surviving spouse must have been married to the plan participant for at least a year before he or she has a right to 401(k) assets. But not all plans have adopted this provision.

If your former spouse gave up any claim to retirement assets in a divorce, make sure your beneficiary designation form is modified to reflect that change. If not, after your death, the plan administrator will hand over the money to the designated beneficiary--which will be your ex.

Often, the 401(k) owner will change his or her beneficiary designation upon divorce and name the children as the beneficiaries. If the owner later remarries, part or all of the 401(k) assets (again, the exact percentage is a matter of disagreement) will still go to the new spouse, instead of the children, even if the new spouse is not added as a beneficiary--unless, that is, the new spouse signs a waiver.

Keep in mind that a prenuptial agreement can't take the place of a waiver. Instead, the law specifies that the spouse must sign the waiver. This can be tricky, because such a waiver can be signed only after a couple is married, at which point the spouse has already acquired the right to be a beneficiary of the 401(k).

Planning to remarry? If you want someone else to benefit from your 401(k) assets, such as the children from an earlier marriage, it's prudent to roll over your 401(k) to an IRA account before you [remarry](#). That should be easy enough if you have a 401(k) at an old employer, but you likely won't have that option with your current employer's plan--unless you're age 59½ or older. James McGlynn, [Humble Dollar](#), <https://humbledollar.com>, January 16, 2021.

11. THESE RETIREMENT EXPENSES COULD BUST YOUR BUDGET; PLAN ACCORDINGLY:

In the course of planning for your senior years, you'll surely know to account for certain unavoidable expenses -- housing, transportation, meals, and the like. While some of your retirement expenses may be fairly predictable, here are a few that could end up being much costlier than expected. Consider yourself warned.

Taxes

Your tax rate as a senior will depend on your total income. If you have a healthy amount of it between your [Social Security benefits](#), retirement plan withdrawals, and other sources, your tax bill may be a lot higher than expected.

Read up on the various types of retirement income that get taxed so you're not caught off guard. For example, Roth IRA and 401(k) withdrawals are yours to enjoy tax-free, whereas traditional retirement plan distributions are taxable. Furthermore, if Social Security isn't your sole or primary source of income, there's a good chance you'll pay taxes on those benefits as well.

To avoid having taxes constitute a major burden, plan wisely. Save in a Roth retirement plan and look at moving to a state with no or low income taxes. Similarly, you may want to avoid [states that tax Social Security benefits](#).

Healthcare

Medicare Part A, which covers hospital care, is free for most enrollees. However, Part B, which covers outpatient services, charges a monthly premium, as does Part D, which covers prescriptions. And that's just the tip of the iceberg.

You'll also be on the hook for deductibles under both Parts A and B, coinsurance, and other costs, so don't expect medical care to be cheaper during retirement than it is during your working years. In fact, the average healthy 65-year-old couple leaving the workforce this year can expect to spend [\\$662,156](#) on medical bills in the course of retirement. Ouch.

To avoid a cash crunch, set funds aside in a [health savings account](#) (HSA) if you're eligible for one (you can participate if you're enrolled in a high deductible health insurance plan). If you can't fund an HSA, aim to max out your IRA -- or, better yet, your [401\(k\) plan](#), which has higher contribution limits -- so you have extra money to cover healthcare costs down the line.

Long-term care

The average 65-year-old today has close to a 70% chance of needing long-term care at some point during retirement. While the cost of that care can vary tremendously based on specific needs, duration, and location, the average senior spends [\\$172,000](#) to cover it.

To steer clear of financial problems later in life, apply for long-term care insurance during your 50s. While you will shell out some money for a policy, having one in place will protect you if you wind up needing extended care in a costly facility. Of course, it never hurts to pad your IRA or 401(k) so you have more money to cover whatever care you wind up needing later in life.

You can plan for retirement all you want, but if you fail to accurately account for your costs, you're apt to wind up financially stressed. Now that these expenses are on your radar, be sure to read up on what they might amount to so you can go into your senior years prepared. Maurie Backman, The Motley Fool, www.fool.com, January 14, 2021.

12. SELLING YOUR HOME IN RETIREMENT? SIX WAYS TO COME OUT AHEAD:

Joe and Theresa DeLaurentis knew they wanted to sell their house last spring even though the pandemic was raging. They didn't want to be blowing leaves and shoveling snow when fall and winter came. They considered moving to their beach house in Wildwood, N.J., but they don't like it there in wintertime.

"We wanted to get this on the market," said Joe DeLaurentis, who turns 60 in April. "Agents wanted us to hold off 'til later in the pandemic. We wanted to put it on the market." Theresa, who will be 59 in July, had already retired as an insurance systems analyst, and Joe continues to work in construction management. With his eye on retiring someday, they could simplify their lives today.

The couple planned to move to a brand-new townhouse 1.5 miles from where they had been living and enjoy a maintenance-free lifestyle. They'd sell their single-family mortgage-free home in Pennsauken, N.J., just outside of Philadelphia. In the meantime, they'd pay off the mortgage on the beach house.

With low inventory and historically low mortgage interest rates, it's a seller's market in many places, which means buyers don't have as many choices and sellers have the advantage. In some markets, buyers have had to compete for the limited number of homes on the market.

"This year is very different from any other year," said Trish Gesswein, sales manager with Houwzer, a real estate brokerage headquartered in Philadelphia. "It's a seller's market in many places. There are 30 offers on some homes, bidding wars. Lack of inventory in the suburbs is pushing the pricing up."

Indeed, the pandemic has proved to be a boon to much of the U.S. housing market. Last month, the National Association of Realtors reported that existing home sales in November jumped 25.8% from a year ago. In addition, the median existing home price for all types of housing in November was \$310,800, up 14.6% from the year-ago period. Prices increased in every region, [NAR said](#).

"We bought the townhouse first," Joe said. "We were able to move without going into storage. The closings were two weeks apart."

They were going to sell their home of 32 years 'as is,' but with some time to spare, decided to "add a little lipstick" to it, Joe said.

If you're selling your long-time house in retirement or leading to retirement, do you have to stage it or make more than minor improvements during the pandemic to sell it? Does it depend on the market?

For Joe and Theresa, getting their three-bedroom, two-and-a-half bath ready to sell didn't require much work.

"We had a virtual tour with a Realtor. She said, 'You don't really have to do much.' The key: They sent in a professional photographer. Nothing crazy. Don't use an amateurish photographer," Joe said.

They made minor improvements.

"We repainted every room, decluttered, redid the laundry room -- patched and painted, and installed new flooring," he said. "It was do-it-yourself. We did it."

In fact, remodeling experts and real estate agents agree.

“Do-it-yourself projects make a lot of sense,” said Dennis Gehman, president of the National Association of the Remodeling Industry. “Do small things,” he said. “Painting, new hardware on cabinets, flooring.”

As for staging, opinions vary on whether to spend money on it. Theresa took on the task. “My wife staged it perfectly,” said Joe, even placing flowers on the bed on a tray.

Joe and Theresa had three offers in two days, and ultimately sold their early 1980s house for \$275,000. Their new three-story townhouse with three bedrooms and two-and-a-half baths started at \$265,000. With the upgrades they chose, the final price was \$311,000.

Before putting your home on the market during the pandemic, here is what experts advise:

Consider your circumstances. How close are you to retirement? How quickly do you want to move? “It really depends on the situation,” said Trish Gesswein, sales manager with Houwzer. If you are one year away from retirement, don’t do a complete renovation or remodeling, she said.

Check the roof and all the mechanicals. Make sure there are no leaks in the roof and that the HVAC and hot water heater, and major appliances are working properly. “It will come up in your home inspection,” said Gesswein. “Don’t just replace them because they’re old. If it’s not broke there’s no reason to fix it.” Sometimes sellers offer a home warranty that covers the first year for buyers at the closing. “If something breaks in the first year, the warranty will cover the replacement cost.” The home buyer will pay \$100, for example, toward the total cost.

Research comparables in your neighborhood. “You have to look at the market,” said agent Debora Edwards of Long & Foster, Bethesda, Md. Find out how long it typically takes for houses to sell in your neighborhood. Known as “days on market,” this is the number of days that a property is listed on the local multiple listing services (MLS) until the seller has obtained an offer and a signed contract. Check listings in your area as they usually include how many days a property has been on the market before it sold or how long it has been on the market currently.

Declutter the entire house. “You want to make it look like it’s ready to be moved into,” said Edwards. Generally, remove family photographs, clear out closets,

remove old, worn carpeting or rugs and window treatments, especially those that are dated.

Invest in minor updating. “You don’t have to spend big dollars,” said Dennis Gehman, owner of Gehman Design Remodeling in Harleysville, PA. “Take a look at the wear and tear. If there are a half-dozen tiles that are cracked, replace them.” If the home looks worn and not cared for, buyers can “begin to wonder if there are other things” that have not been fixed in the house. Re-caulking the bathroom, adding a new shower curtain with a curved rod rather than a glass door that is difficult to clean can make a difference.

Get the best professional photographs. “Make sure the house looks as good as possible in the photographs,” said Trish Gesswein. Looking ahead to retiring someday, Joe DeLaurentis said, “I make enough so I can support the townhouse. My 401 (k) is in good shape.” In the future, they may sell the townhouse, and move to the shore. Meanwhile, they’re enjoying their brand-new home. Harriet Edleson, Market Watch, www.marketwatch.com, January 14, 2021.

13. TAXPAYERS CAN START THE NEW TAX YEAR OFF RIGHT BY CHECKING THEIR WITHHOLDING:

A new year means a fresh start. One way people can get the new tax year off to a good start is by checking their federal income tax withholding. They can do this using the [Tax Withholding Estimator](https://www.irs.gov/efile) on IRS.gov.

This online tool helps employees avoid having too much or too little tax withheld from their wages. It also helps self-employed people make accurate estimated tax payments. Having too little withheld can result in an unexpected tax bill or even a penalty at tax time. Having too much withheld results in less money in their pocket.

The *Tax Withholding Estimator* does not ask for personally-identifiable information, such as a name, Social Security number, address and bank account numbers. The IRS doesn't save or record the information entered in the Estimator.

All taxpayers can use the results from the *Tax Withholding Estimator* to determine if they should:

- Complete a new [Form W-4](https://www.irs.gov/efile), *Employee's Withholding Allowance Certificate* and submit it to their employer.
- Complete a new [Form W-4P](https://www.irs.gov/efile), *Withholding Certificate for Pension or Annuity Payments* and submit it to their payer.
- Make an additional or [estimated tax](https://www.irs.gov/efile) payment to the IRS.

The *Tax Withholding Estimator* asks taxpayers to estimate:

- Their 2021 income.
- The number of children to be claimed for the child tax credit and earned income tax credit.
- Other items that will affect their 2021 taxes.

Before using the Estimator, taxpayers should gather their 2019 tax return, most recent pay stubs and income documents including:

- Form W-2 from employers.
- Form 1099 from banks and other payers.
- [Forms 1095-A](#) from the marketplace for those claiming the premium tax credit.
- [Form 1099-NEC](#), *Nonemployee Compensation*.

Most income is taxable, including [unemployment compensation](#), refund interest and income from the [gig economy](#) and [virtual currencies](#). Therefore, taxpayers should also gather any documents from these types of earnings. These documents will help taxpayers estimate 2021 income and answer other questions asked during the process.

The *Tax Withholding Estimator* results will only be as accurate as the information entered by the taxpayer. People with more complex tax situations should use the instructions in [Publication 505](#), *Tax Withholding and Estimated Tax*. This includes taxpayers who owe alternative minimum tax or certain other taxes, and people with long-term capital gains or qualified dividends. Share this tip on social media -- #IRSTaxTip: Taxpayers can start the new tax year off right by checking their withholding. <https://go.usa.gov/xAkPF>. IRS Tax Tip 2021-04, www.irs.gov, January 20, 2021.

14. WORD PLAY - FOR THOSE WHO LOVE WORDS:

The evening news is where they begin with "Good Evening," and then proceed to tell you why it isn't.

15. A THOUGHT FOR TODAY:

"It is never too late to be what you might have been." -George Eliot

16. TODAY IN HISTORY:

On this day in 1977, US President Jimmy Carter pardons almost all Vietnam War draft evaders.

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