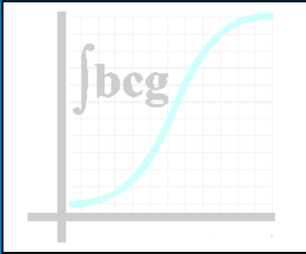


# BCG Retirement News Roundup

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**Boomershine Consulting Group (BCG) provides this monthly news roundup of highlighted significant articles from the retirement industry – for clients and friends. Retirement plan news has become increasingly pertinent for many audiences these days, including:**

- **Retirement Plan Sponsors – addressing both private and public sector issues**
- **Employers – dealing with complicated decision making for their plans**
- **Employees – educating the Boomer generation that is nearing retirement**
- **Industry Practitioners - helping to understand and resolve today's significant challenges**

**We review numerous industry news services daily and will include a collection of timely and significant articles each month concerning compliance, actuarial plan costs (including assumption debates), plan design change issues and benefit trends, as well as other related topics.**

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# Public Sector/Government Plans

## U.S. Public Pensions Show Biggest Investment Gain in Three Years

U.S. state and local-government pension investments gained the most in three years as stocks soared, according to a report to be released today by Wilshire Associates Inc.

Public pensions had median increases of 16.9 percent for the 12 months ended June 30, according to data from the Santa Monica, California-based consulting firm. It was the best performance since the funds rose 21.2 percent in fiscal 2011. Those with assets greater than $1 billion performed best, reporting median jumps of 17.4 percent, boosted by bigger allocations to private equity, hedge funds and other alternative assets.

Smaller state and local-government pensions target more of their money to less-risky U.S. bonds, which hindered their performance relative to larger plans, said Robert Waid, a managing director at Wilshire.

“Alternatives outperformed the non-U.S. equity asset class,” Waid said in a telephone interview. “Larger public plans are more likely to have more exposure to alternatives.”

Retirement plans with assets of more than $5 billion had a median allocation of 10.5 percent of their assets to alternatives, compared with 1.3 percent for all public pensions, according to Wilshire’s Trust Universe Comparison Service. Investment officers are turning to private equity and hedge funds to boost returns and diversify their portfolios after the stock market collapse in 2008.

Private Equity

In 2013, U.S. private equity had its best performance since 2006, returning 20.6 percent as buyout firms took advantage of a booming share prices to exit investments, according to Cambridge Associates LLC, a Boston-based researcher and consultant. Private-equity funds use borrowed money to buy companies, improve profitability and resell them.

By contrast, the Barclays US Government/Credit Index returned 4.28 percent for the year ending June 30.

The Federal Reserve’s policy of keeping short-term interest rates near zero and an improving economy boosted the Standard & Poor’s 500 Index (SPX) of U.S. stocks by 24.6 percent in the 12 months through June 30, including dividends, helping to ease the strain on public pensions.

Assets of the 100 largest public funds rose to $3.2 trillion as of March 31, and have gained $1 trillion since the first quarter of 2009, according to the U.S. Census Bureau.

Most state and local-government pensions count on annual investment returns of 7 percent to 8 percent to pay benefits for teachers, police and other employees. In the 10-year period through June 30, U.S. public pensions returned 7.3 percent, according to Wilshire.

“Fiduciaries are doing a pretty good job,” Waid said.

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## U.S. regulator charges Kansas over underfunded pension

The U.S. Securities and Exchange Commission said on Monday it has charged Kansas with fraud for not properly disclosing funding problems with its public pension plan, in the third time the federal regulator has taken action against a state.

Kansas, which was under investigation for nearly four years, has already implemented reforms in how it discloses its pension liabilities and has agreed to settle the charges for its prior incomplete disclosures, without admitting or denying the commission's charges, the SEC said.

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## Baltimore police and fire pension reforms upheld

A federal appeals court upheld reforms made to the $2.4 billion Baltimore City Fire & Police Employees Retirement System but left the door open for further challenges under a different legal argument.

Reforms implemented in 2010 by Mayor Stephanie Rawlings-Blake increased employees’ contributions and replaced a variable benefit tied to investment returns with a tiered cost-of-living increase. Instead of annual increases that averaged 3% under the variable benefit, the 2010 pension reforms created a tiered COLA that gave older retirees 2% increases, while retirees under 55 did not receive an increase.

In 2012, Judge Marvin Garbis declared the change unconstitutional in U.S. District Court in Baltimore. On Wednesday, 4th Circuit U.S. Court of Appeals Judge Barbara

Milano Keenan in Richmond, Va., vacated that decision, saying the active and retired workers' constitutional rights were not impaired by the disparate treatment, but instead were a "mere breach of contract" for which the plaintiffs could seek remedy under state law.

That could put all the 2010 reforms back on the table for legal challenge, said attorney Charles Monk of Saul Ewing, who represents the police and fire employees. "We are going to review the opinion and think about what our choices will be," Mr. Monk said in an interview.

Ms. Rawlings-Blake said in a statement that she was "gratified" that the appeals court left intact the reforms, which "are a key component to ensuring that we leave Baltimore in better fiscal health for future generations." The mayor said she will "be in communication with the unions over the next several weeks."

Her administration is also negotiating with the police and fire labor unions over creating a hybrid plan for future hires, similar to changes enacted for city employees May 5.

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## Annapolis sues police, fire retirees to get ruling in pension dispute

The city of Annapolis has named dozens of retired police officers and firefighters in a federal lawsuit, the latest tactic in a decade-long legal battle over changes to retiree pensions.

In court filings last week, the city asked a judge to rule that a recent switch to an annual 2 percent cost-of-living increase for retirees — instead of a previous sliding scale tied to city employee raises — is legal.

Attorney Eric Paltell, who represents the city in the case, said a ruling is needed because, "the retirees have made it crystal clear that they do not believe this is legal."

He said the city named the retirees in the suit because the court would not review the law unless there was a demonstrated dispute. The city cited a February letter from the retirees' attorney, Robert E. Deso, sharply criticizing the pension change and threatening to sue the city.

Russell Hall, a 64-year-old retired police lieutenant who is among those named in the lawsuit, decried the city's move to take the retirees to federal court. Some who have

fought with the city on pension issues since 2002 have died, and the oldest member of the group is 96, he said.

"They're really tired of fighting the city over this. It's ridiculous," said Hall, who is president of the Annapolis Police/Fire Retirees Association.

The 2 percent increase for police and fire pensions was negotiated with unions last year and made official by the city council in July, with Mayor Mike Pantelides as the lone dissenting vote. The raises replace a system of four categories for pensions, each with varying triggers for raises, some tied to employee raises or linked to the Consumer Price Index.

The 63 retirees named in the lawsuit are in categories that link pension increases to current employee raises.

Hall said the retirees are frustrated they weren't included in negotiations for the 2 percent increase. He said on the surface, it might not be a bad deal, but his group never had the chance to weigh the pros and cons.

Hall also believes the city's decision to specifically name the 63 retirees is payback for a prior legal case. In 2002, those same retirees contended that the city was circumventing the previous arrangement by not giving them the same raises as current employees. That case started at the city's Civil Service Board and went all the way to the Maryland Court of Appeals, where in 2008 the retirees won an order that gave them the raises and back pay.

Now, Hall said, the city "selectively picked us to punish us and harass us. It's just sad that the city's doing that to these people that have served."

In response to the lawsuit, the retirees have asked the Anne Arundel Circuit Court to review that 2008 victory — Hall said they hope a judge will reaffirm that the city must keep giving raises to retirees at the same pace as employees, rather than at the fixed 2 percent.

A hearing is scheduled for September on the retirees' request.

No hearings have been scheduled for the city's federal case.

Paltell said the switch to a 2 percent annual increase was one of several changes made to put the pension plan on solid financial footing after it was hit by the recession and a wave of employee retirements.

With the prior arrangement of multiple categories for pension increases, some retirees went years with no increases and then saw large bumps, he said, making it difficult to predict the long-term outlook for the pension fund.

The city believes the switch to the 2 percent annual increases is legal under state and federal law because the historical average increase has been 2.02 percent. Federal law allows such changes only if there is an overriding public need; state law mandates that changes must offer substantially similar benefits, Paltell said.

"We think it's a fair change," Paltell said.

Though the federal lawsuit names 63 people, it affects hundreds of retirees, Paltell said. He said the city doesn't want to burden retirees with another case, but wants to ensure the change is legal. "The city really is trying to help them," he said.

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## Court: State can nix public pension increases

The Legislature had the right to eliminate state employee pension increases that were approved during the stock market boom of the 1990s, the Washington Supreme Court said unanimously Thursday in two decisions that save the state billions of dollars but leave many public employees feeling cheated.

In twin rulings, the court found lawmakers were within their rights in 2007 when they repealed a "gain-sharing" benefit that paid employees more when investment returns on pension trust funds exceeded expectations, and in 2011 when they repealed automatic cost-of-living adjustments for certain retirees.

In each case, the Legislature had reserved the right to eliminate the benefits in the future, the court said, reversing two lower-court rulings.

"I don't think having to take away these benefits was something anyone enjoyed," said Sen. Barbara Bailey, an Oak Harbor Republican who chairs the Legislature's Select Committee on Pension Policy. "But had we not done this, or had it not been upheld, the cost to the state would have been in the billions."

Public-sector unions and others who sought to maintain the benefits concede they are pricey. But, they argued, the state had dangled the promise of the pension enhancements in the late '90s when officials persuaded tens of thousands of workers to give up their defined-benefit retirement plans for cheaper plans.

The cheaper plans reduced the defined benefits by half while adding a mix of defined contributions and gain-sharing, which occurred when investment returns exceeded 10 percent for four straight years.

James Oswald, a Seattle lawyer who represented state ferry worker Cheryl Costello and others who sued over repeal of the gain-sharing benefit, said that when the state Department of Retirement Systems provided written material encouraging workers to give up their more expensive plans, it never informed them gain-sharing could be repealed. The workers could not have known unless they had parsed the fine print of the statute creating the benefit, he said.

"Tens of thousands of employees gave up their benefits based on representations about what they'd receive," Oswald said. "They were never told that these benefits could be repealed, and that's very troubling to me. That's the kind of bait-and-switch the court would never permit a private employer to do."

The state conceded it never explicitly told the workers the benefit could be repealed. But the court said the provided materials could not be read as promising it would exist forever.

Furthermore, the materials contained a caveat: "If there are any conflicts between what is written in this handbook and what is contained in the law, the applicable law will govern."

"The gain-sharing statute explicitly stated that gain sharing may be repealed in the future," Chief Justice Barbara Madsen wrote for the court.

Bailey said paying for the benefits when times are good makes it tougher for the pension trust funds to weather economic downturns.

"That was the principle that was ignored when gain-sharing was first brought to the Legislature," she said. "Everybody was excited that the investments were doing well. It was one of those things that probably shouldn't have been done at all."

The Washington Education Association, which sued along with several of its members, said the rulings were especially hard on lower-paid bus drivers, cafeteria workers and custodians, but the pension cuts also make it tougher to keep good teachers in the classroom.

"Historically, teachers have made a decent salary, but we've had good retirement benefits and good health care. That's been eroding," said Jared Fink, an Everett teacher and plaintiff. "Gain-sharing made it attractive, and that gets taken away."

Oswald, who represented some of the plaintiffs, said that if the justices ruled for them, it would have built on the court's 2012 McCleary decision, which held that the state had not been meeting its constitutional duty to fully pay for basic education. The state has added $982 million in education spending over the next two years, but lawmakers have estimated that responding to the ruling will ultimately cost billions more.

"What the court is doing in McCleary is heroic and difficult, and it puts them at cross-purposes with the Legislature," Oswald said. "For the court to say, `Here's another multibillion-dollar thing for you to do,' it would have been a singular act of courage."

State Attorney General Bob Ferguson said Washington has already paid the extra benefits that accrued before the repeals. If the lower court rulings had been allowed to stand, he said, it could have cost the state more than $10 billion over the next 25 years.

"Today's decisions preserve the rights of public employees to receive the basic pension benefits the Legislature has promised, but make clear that the Legislature has the flexibility to add temporary benefits without being locked into providing them forever," he said in a news release.

The cost-of-living adjustment at issue was approved in 1995. It provided for 3 percent annual increases in retirees' monthly retirement payments.

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## Private Sector

### Pension Funding Relief is Extended

Provided by Boomershine Consulting Group

**Background**

Several years ago, the Pension Protection Act (PPA) completely revised the funding requirements for private sector defined benefit pension plans – primarily through the use of relatively lower 2 year averaging of historical interest rates for actuarial valuations, which relatively increased actuarial liabilities and plan costs.

A few years ago, the Moving Ahead for Progress in the 21st Century (MAP-21) recognized the significant funding issues created by PPA and provided temporary funding relief through a scheduled use of 25 year average historical rates. The relaxation of the PPA rates allows use of higher interest rates which reduces actuarial liabilities and funding requirements – on a temporary basis, primarily scheduled to phase out over about a 5 year period.

On Friday, August 8, the President signed the Highway and Transportation Funding Act of 2014 (HATFA), extending the pension funding relief contained in the Moving Ahead for Progress in the 21st Century Act (MAP-21).

The law change essentially provides for lower pension plan funding, which lowers tax deductions, which translates into higher taxable income and increased taxes – which provides "funding" for the transportation portion of the law.

**Pertinent Law Changes**

The HATFA extension of the MAP-21 provisions extends the corridor around the 25-yearaverage historical interest rates. The table below compares the corridor constraints of the original MAP-21 and the provisions of HATFA:

| | Corridor Range of Allowable Interest Rates as a Percentage of the 25-year Average | |
|---|---|---|
| **Plan Year Beginning:** | **MAP-21** | **HATFA** |
| 2012 | 10% | 10% |
| 2013 | 15% | 10% |
| 2014 | 20% | 10% |
| 2015 | 25% | 10% |
| 2016 | 30% | 10% |
| 2017 | 30% | 10% |
| 2018 | 30% | 15% |
| 2019 | 30% | 20% |
| 2020 | 30% | 25% |
| 2021+ | 30% | 30% |

Therefore, the phase out level scheduled for 2016 is now extended another 5 years to 2021.

The law change is required for plan years beginning in 2014. As noted in the chart above, the changes are also effective for plan years beginning in 2013 – on a voluntary basis, plans may opt out of this change for 2013 plan years.

**Impact**

Plan sponsors who want to minimize current contribution levels will want to analyze the impact of revising the 2013 actuarial valuation – which will also impact current 2014 quarterly contribution requirements and the 2014 actuarial valuations too.

Well funded plans, where current contribution levels are not a significant concern may not need to revise 2013 valuation results.

These changes will also impact adjusted funding target attainment percentages (AFTAP's) and funding standard credit balances.

We will be contacting you to discuss and review optional strategies concerning these significant pension funding issues.

## Church-plan status under increased scrutiny

### More participants challenging attempts to gain ERISA exemptions

A growing number of lawsuits and some key court rulings are making it harder for church-affiliated defined benefit plans to be exempt from federal pension rules.

While the practice of getting that exemption, which is obtained in case-by-case rulings from the Internal Revenue Service, is not new, plan participants increasingly are hiring lawyers to challenge the efforts by some of the biggest names in health care that are affiliated with religious organizations.

And court decisions in recent cases are favoring the participants.

The latest and most definitive court decision came July 22, when U.S. District Court Judge Thelton Henderson in San Francisco ruled the pension plan of Dignity Health should not be able to keep its church plan exemption, but instead should be covered by the Employee Retirement Income Security Act. Lawyers for San Francisco-based Dignity Health had argued its pension plan had long operated as a church plan sanctioned by the IRS. That, said Mr. Henderson, was "an erroneous IRS ruling (that) should not be permitted to trump a court's interpretation of a statute."

Dignity Health executives said in a statement after the ruling that they will continue to defend the case. Dignity Health remains "committed to ensuring our retirees and beneficiaries receive the benefits they have earned," the statement said.

"We are starting to get a read of the way the courts are looking at this when the issue is squarely teed up in front of them," said Lynn Sarko, a principal with Keller Rohrback LLP in Seattle, which along with Cohen Milstein Sellers & Toll PLLC in Washington is leading the legal campaign to undo church plan rulings benefiting large hospital systems.

The eight lawsuits filed by the two ERISA law firms are collectively seeking more than $2 billion in missed pension contributions and other damages. Among other claims, the

lawsuits challenge interpretations made by the IRS and the Department of Labor that allowed large non-profit hospitals, which have varying degrees of church affiliations, to be exempt from ERISA. The cases single out “those that are clearly abusing the system and trying to misuse a narrow exemption,” said Mr. Sarko.

Higher stakes

Until now, said Karen Handorf, partner and head of Cohen Milstein Sellers & Toll's employment benefit practice, “the stakes weren't that high, or people didn't know they were. These are huge plans and they're underfunded by hundreds of millions of dollars. There's big money at stake.”

One big draw for organizations to claim church plan status is the greater flexibility over how and when they fund their pension plans. A 2013 Standard & Poor's Rating Services report on pension funding in the non-profit health-care sector showed 2012 funding levels for Ascension Health Alliance, Catholic Health Initiatives and Dignity Health at 93.1%, 75.2% and 65.5%, respectively, down from 94.1%, 88.6% and 75% a year earlier. The 2013 median funded level for the non-profit health-care sector was 80%, after four years at roughly 70%, according to S&P.

Church plan sponsors also avoid paying premiums to the Pension Benefit Guaranty Corp. and can get up to six years of PBGC premiums refunded retroactively after receiving IRS designation as a church plan. An analysis of PBGC documents obtained by the Pension Rights Center, Washington, showed 85 plan sponsors, at least 60% of them not-for-profit health-care companies, received a total of $18 million in premium refunds from 1999 until 2007.

The lack of PBGC support is a key worry among plan participants, along with the exemption from ERISA-mandated funding and reporting requirements.

Other attempts by plan sponsors to dismiss cases — including those brought against Saint Peter's Healthcare System, New Brunswick, N.J and Catholic Health East, Newtown Square, Pa. — also have been rebuffed by the courts. Judge Michael Shipp from the U.S. District Court in New Jersey on March 31 said the IRS determination for Saint Peter's “conflicts with the plain text of the statute and is therefore unreasonable.” For the case against Catholic Health Initiatives in Colorado, a magistrate has recommended the U.S. District Court revoke the church plan status.

The one exception so far in recent cases involves Ascension Health Alliance, St. Louis, whose case was dismissed May 9 by U.S. District Court Judge Avern Cohn in Detroit. “The church exemption is a congressional choice of historic proportion. And while it may appear to be an irrational distinction, it is a distinction mandated by law,” he wrote in his opinion.

Watching the judges

Those differing judicial readings of congressional intent have legal experts watching for more judges to weigh in on the district and appeals court levels, a process that could lead to the Supreme Court for a final word.

Pension rights advocates are encouraged that as more plaintiff law firms get involved, more challenges could be in the wings. “Until these law firms came forward ... nobody knew about the problem,” said Karen Ferguson, director of the Pension Rights Center. “From our perspective, the decisions are very significant. They correctly read the law and the legislative history, and we think they will be followed by other courts and be upheld.”

What happens after the judges weigh in is another matter. “There is no question that applying the actual law ... will create a messy situation in terms of compliance for plans that have ignored ERISA's requirements,” wrote Drexel University law professor Norman Stein in a recent summer 2014 law journal. “But the situation would be far messier if more and more faux church plans are able to decline responsible funding and break promises that Congress, in ERISA, said must be kept.”

Church-affiliated plan sponsors need to take notice, legal experts say. “We are trying to alert all the church plan sponsors out there that haven't been sued that they ought to pay attention to this possible litigation risk,” said David Powell, a principal with Groom Law Group in Washington, which represents several church plan sponsors. ”It's really about having them think about their own plans. It's a risk management exercise.”

He noted the outcome of these cases could affect more than just church-related hospital defined benefit plans. If ERISA is found to apply, it could extend to 401(k), 403(b) and welfare plans of those and other church-related charities as well.

“The plaintiffs appear to be focused on the underfunded DB plans, but it just logically follows from their arguments that if those are covered (by ERISA), then none of the plans sponsored by such a charity are church plans.”

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## Use Internet to Find Missing DC Participants, DOL Says in Revamped Guidance

The U.S. Department of Labor on Aug. 14 issued a new set of guidance for plan sponsors about tracking missing defined contribution retirement plan participants and distributing their assets. It takes into account vastly improved Internet search capabilities that have emerged in the decade since its last instructions about obligations to missing participants.

Field Assistance Bulletin 2014-1 defines how fiduciaries of terminated DC plans can fulfill their obligations under ERISA to find missing participants and distribute their account balances. DOL said the new guidance replaces FAB 2004-02, and "reflects important changes that have occurred in the ten years" since that document's publication.

The new FAB removes a requirement to use IRS and Social Security Administration letter-forwarding services that were ended in recent years. Instead, DOL said, expanded, free electronic search tools are to be used. Improved Internet search technologies also have led DOL to codify its enforcement safe harbor for distributing missing participant benefits, the agency said.

The new FAB also reflects some suggestions from the 2013 ERISA Advisory Council, which focused last year on the topic of locating missing participants, DOL said.

Under ERISA, fiduciaries are required, in the case of plan terminations, to ensure the distribution of unallocated funds to participants. ERISA also governs the steps taken to implement the "settlor" decision to terminate a plan, including actions taken to locate missing participants. A plan fiduciary's choice of a distribution option for a missing participant's account balance is a fiduciary decision, however, and is also subject to ERISA. As the new FAB reminds, plan sponsors must make reasonable efforts to locate missing participants or beneficiaries so that they can implement their directions on plan distributions to them. A plan fiduciary may charge the missing participants' accounts "reasonable expenses" for their efforts to find them.

The FAB outlines search steps expected of fiduciaries of terminated plans after routine methods, such as first-class mail or electronic notification, fail to find the participant. It cautions that more expensive approaches may be required when the account balance is large enough to justify additional plan cost and other efforts haven't located the participant, although the threshold for a "large" balance is not specified.

The new FAB also gave a range of distribution options from terminated DC plans, including some to use if an individual retirement plan provider can't be found to accept a

direct rollover for a missing participant. The bulletin stressed that 100-percent income tax withholding is not a choice for dealing with missing participants' benefits.

Questions about the new FAB on locating missing participants may be directed to the DOL Division of Fiduciary Interpretations, Office of Regulations and Interpretations, reachable by phone at (202) 693-8510.

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## ICI study shows long-term downward trend of 401(k) fees

Participants in 401(k) plans incurred lower expenses investing in long-term mutual funds (equity, hybrid, and bond funds) in 2013 than in 2012, an Investment Company Institute (ICI) study has found. The decline in 401(k) plan fees is consistent with the downward trend of the past decade, the ICI said. The report, "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2013," shows that plan participants holding mutual funds tend to invest in lower-cost funds.

At year-end 2013, nearly 38% of 401(k) plan assets were invested in equity mutual funds. In 2013, 401(k) plan participants who invested in equity mutual funds paid an average expense ratio of 0.58%, down from 0.63% in 2012. Similarly, expense ratios that 401(k) plan participants paid for investing in hybrid mutual funds fell from 0.60% in 2012 to 0.58% in 2013. The average expense ratio 401(k) plan participants incurred for investing in bond mutual funds dropped from 0.50% in 2012 to 0.48% in 2013.

401(k) participants tend to pay lower fees for mutual funds

Participants in 401(k) plans tend to pay lower fees than fund investors overall, the ICI report disclosed. The 0.58% paid by 401(k) investors in equity funds is lower than the expenses paid by all equity fund investors (0.74%) and less than half the simple average expense ratio on equity funds offered for sale in the United States (1.37%). The experience of hybrid and bond fund investors is similar.

"It is clear from this study that 401(k) participants investing in mutual funds tend to invest in lower-cost funds," said Sean Collins, senior director of industry and financial analysis. "This tendency on the part of investors sets up a competitive dynamic within the fund industry, as funds strive to provide ever better services at even more competitive prices. This dynamic is amplified to the benefit of retirement savers through the design of the 401(k) system, in which plan sponsors as fiduciaries select mutual funds as investment options for their plan."

Costs have declined substantially since 2000

For more than a decade, the costs 401(k) plan participants have incurred for investing in long-term mutual funds have trended down, according to the study. In 2000, 401(k) plan participants incurred expenses of 0.77% of the 401(k) assets they held in equity funds. By 2013, that had fallen to 0.58%, a 25% decline. The expenses 401(k) plan participants incurred for investing in hybrid and bond funds also fell from 2000 to 2013, by 19% and 21%, respectively.

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## PROPOSED LEGISLATION WOULD AFFECT SOCIAL SECURITY:

The office of the Chief Actuary, U.S. Social Security Administration, believes enactment of seven provisions of proposed Social Security 2100 Act would eliminate the entire long range OASDI actuarial deficit of 2.72% of taxable payroll under current law, replacing deficit with a surplus of 0.05% of payroll for the long range period. Here are the following seven provision with direct effects of OASDI program:

- Invest up to 25% of the trust fund reserves in equities, fully effective in 2025.
- Increase the combined OASDI payroll tax rate to 14.4%, fully effective in 2037.
- Apply the combined payroll tax rate on earnings above $400,000, fully effective in 2015.
- Increase the threshold for taxation of benefits to the OASDI Trust Funds, to $50,000 for single filers and $100,000 for joint filers, fully effective in 2015.
- Use the Consumer Price Index for the Elderly to calculate the cost-of-living adjustment effective, for December 2015.
- Increase the first PIA formula factor from 90% to 93% for all eligible beneficiaries as of January 2015, and for those newly eligible for benefits after January 2015.
- Increase the special minimum PIA, beginning for workers who become newly eligible for retirement or disability benefits or die beginning in 2015.

Letter dated July 31, 2014 to Representative John Larson, sponsor of the Social Security 2100 Act, from Stephen C. Goss, Chief Actuary.

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