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. If you would like to discuss any of these issues, please contact us.

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Public Sector/Government Plans

COLA clashes in spotlight as public plans, participants tussle

Through legislation and regulation, public pension plans are reforming their cost-of-living-adjustment rules, which often ignites legal clashes with employees and retirees. The reason isn't surprising.

“"Reform' has become a euphemism for benefits reduction,” said Keith Brainard, the Georgetown, Texas-based research director for the National Association of State Retirement Administrators, noting that “reform” encompasses COLA reductions among several public pension cost-reduction policies.

Disputes over the meaning of state constitutions' protection of pension rights highlight the conflict between legislators trying to trim pension costs and improve pension system health vs. retirees and employees fighting to preserve what they say are contracts protecting their retirement.

Among recent developments:

- The Illinois Supreme Court in March ruled as unconstitutional a pension reform law affecting the $5.68 billion Municipal Employees' Annuity & Benefit Fund of Chicago and the $1.36 billion Laborers' and Retirement Board Employees' Annuity & Benefit Fund of Chicago. The former has a funding ratio of 40.9%, as of Dec. 31, while the latter has a funding ratio of 64.3%.

The law, which took effect in 2015, reduced the COLA formulas affecting participants in the two plans and raised employee and employer contributions. The court ruled the law violated the state constitution's pension protection clause that says benefits “shall not be diminished or impaired.” In May 2015, the state Supreme Court cited the same reasoning in declaring unconstitutional a state pension reform law, which reduced COLAs, capped pensionable salaries and raised retirement ages.

- The New Jersey State Supreme Court, also in March, heard oral arguments in a challenge by union members and others that a 2011 law suspending COLAs for participants covered by the $68.1 billion New Jersey Pension Fund, Trenton, violated the state constitution.

COLAs, the plaintiffs asserted, are a “non-forfeitable right.” In court documents, attorneys for Gov. Chris Christie said that although public pensions have state constitutional protection, COLAs lack such protection.

If the state Supreme Court supports the plaintiffs, Gov. Christie said the New Jersey Pension Fund would immediately have to recognize another $17.5 billion in unfunded pension liabilities. Moody's Investor's Service, New York, has predicted a pro-plaintiff ruling would raise the pension system's unfunded liability — on a statutory accounting basis — to $53 billion from $40 billion. That would drop the 2014 statutory funding ratio to 44%, from 51%; and

- Arizona Gov. Douglas A. Ducey in February signed into law changes to the cost-of-living adjustments for participants in the $8 billion Arizona Public Safety Personnel Retirement System, Phoenix, whose funding ratio is approximately 50%.

This law creates three tiers of participants, and it calls for a referendum to repeal the permanent benefit increase formula for members of the first two tiers and create a new COLA formula.

The new law was a response to a 2014 ruling by the Arizona State Supreme Court that said a previous COLA reduction law was unconstitutional because it diminished benefits. That high court ruling restored the permanent benefit-increase formula.

The Arizona case illustrates how legislators are fighting for COLA reductions even if they are initially rebuffed by the courts. Still, state supreme courts in Colorado, New Mexico, Washington, and Wisconsin are among the state courts that have upheld COLA reform laws in recent years, according to Moody's Investors Service.

Sharing the pain

COLA reductions enable legislators to “spread the burden” among all benefits recipients rather than just shift the pension cost-cutting to new employees through other actions, said Jean-Pierre Aubry, associate director, state and local research, at the Center for Retirement Research, Boston College.

“Our sense is that those COLA adjustments were going from overly generous to realigning them with economic sanity,” he said. “Up to this point, this tool has been sensible. COLAs are being aligned with actual inflation.”

However, legislators who reduce COLAs below keeping pace with inflation “are cutting into peoples' standard of living,” Mr. Aubry said. “Governments are more willing to test the (state) laws when it comes to COLAs.”

Analysts point out that many COLA reform laws took effect during the years immediately after the 2008-2009 economic crisis, when plunging investments, high unemployment and shrinking tax revenues squeezed state coffers. However, COLAs often had been put in place in the 1980s, when inflation was higher.

“COLAs are expensive benefits and will continue to be examined by legislatures as they reform pension plans,” said Luke Martel, director of retirement research for the National Conference of State Legislatures. Reducing COLAs, raising retirement ages, requiring higher service requirements and imposing higher contributions by employees are the primary tools legislators are using to enact pension reform, he said.

Between 2009 and mid-2015, a NASRA survey found that 29 states had enacted laws to reduce public pension plans' COLAs. Fifteen states changed the COLAs affecting current retirees; eight states made adjustments to benefits of current employees and new hires; and six states changed the COLA system for new hires. Some were upheld by states courts; others were overturned.

"Cost savings is definitely the primary driver," said Mr. Brainard, noting that COLAs can have a profound effect on overall pension costs. "As a rule of thumb, a pension plan with an automatic 3% annual COLA will add 25% to the plan's cost."

COLA reform involves a succotash of strategies, thanks to different COLA formulas among the states, different roles that state constitutions play in governing pensions and various legal challenges challenging COLA reform.

For example, the NASRA study points out that some state pension plans have automatic COLAs, while others have ad hoc COLAs that require a governing body to approve a benefit increase.

Many public plans peg COLA to inflation, measured by the Consumer Price Index, but even then there is variation. Formulas can be designed to reflect a percentage of the CPI or place a cap on the COLA increase regardless of how high the CPI grows.

Component of plan health

Credit rating agencies view COLA changes as a component of state pension plan health, and the strength of a pension plan can influence a state's overall credit rating.

"We will take account of a COLA that is out of line with existing economic conditions," said Douglas Offerman, senior director at Fitch Ratings Inc., New York. "If the state has the ability to lower unfunded pension liabilities, that (COLA reduction) is a tool. The larger point is whether the state has the ability to make a change."

Mr. Offerman and others who analyze public pension plans say a COLA reduction for retirees is a strong component of pension reform.

"COLA reform has an immediate impact on accrued liability," said Thomas Aaron, a Chicago-based vice president and senior analyst for Moody's Investor's Service. COLAs "can be mathematically significant."

However, COLAs are only part of the firm's analysis of a public pension plan, and "pensions are far from the only thing" in a credit rating. In most cases, COLA reform laws represent "a response to rising balance sheet obligations or rising cost in the (state) budget," Mr. Aaron said.

Overtime: The Good, the Bad and the Unsafe

It's important to know when overtime is a smart financial decision and when it's better to send employees home.

News coverage often casts overtime in the public sector as abuse or bad management. Typical is this recent article from the Boston Herald that points to one worker who received $171,000 in overtime last year, "pushing his salary north of $300,000."

Admittedly, that's an extreme case. But somewhat more common are instances of so-called "pension spiking" -- a ploy used in some places to dramatically increase an employee's retirement wages. Since retirement pay is frequently based on a person's last few years of work, boosting their overtime toward the end of their employed life can yield a much more comfortable retirement.

Some cities and states are trying to cut down on pension spiking, but overuse of overtime in general continues to be a major problem for many governments.

In early April, for example, California's Little Hoover Commission revealed that the 14,000-plus psychiatric technicians and nurses in the state were working 3.75 million hours of overtime at a cost of nearly $180 million. That's over $12,000 extra a year, on average, and represents 18.2 percent of their total pay. "That's four times the percentage of pay for registered nurses and health-care workers nationally," according to the report.

It's important to understand, though, that all overtime isn't a bad thing. Some experts in the field of management draw a distinguishing line between so-called "good overtime" and "bad overtime."

Good overtime can generally be anticipated by budgeters -- even if it's difficult to do so precisely. They can, for instance, predict a certain number of sick days and plan for overtime when they occur. As Rock Regan, a director at Kronos, a workforce management consultancy, explains, "It's the unplanned overtime that's typically what you tend to see in the papers."

A classic example of good overtime occurs in sanitation departments, which are responsible for clearing snow. When a blizzard hits, cities obviously need more manpower than they have to run the snowplows. As a result, the use of overtime to clear the roads is not only sensible but necessary. In situations like this, overtime may actually be a cheaper alternative than hiring enough full-time staff because new employees require additional benefits and training, which can equal (or exceed) the costs of paying a person time-and-a-half for a reasonable period.

The distinction between good and bad overtime, however, travels beyond fiscal planning. Overtime can create safety problems for public workers and the citizens using their services.

Consider the case of a firefighter who works an 8-hour shift and is then asked to work another 8 hours of overtime. That's 16 hours in a demanding job that requires attention to detail. By the time the firefighter commutes back and forth, eats something and tends to the needs of their family and friends, that leaves just a few hours of sleep before the next shift. Is that the person you want administering the highest levels of care in an emergency?

Probably not.

Of course, there are some legal limitations to how long people can work. The federal Fair Labor Standards Act, for example, requires firefighters to be off for at least 12 hours in any 60-hour period of time. But such restrictions still leave the possibility open for overwork and eventually burnout.

Then there's quality of work life. The Washington 2015 Employee Engagement Survey showed that "agencies where more employees are using overtime are more likely to have lower employee engagement scores."

On the flipside, some employees regard overtime as a privilege that helps enhance their paychecks. That's why it's important to make sure those hours are doled out fairly. Technology can help.

In Cincinnati, a recent audit of the police's process for manually entering overtime uncovered overpayments, inconsistencies and even instances "where overtime data was entered into the system prior to the officer working the overtime assignment and prior to receiving a supervisor's approval," said Cincinnati Police Chief Eliot Isaac. "This system," he said, "subjects the entire process to human error."

Social Security Offsets Impact Some Public Employees

Almost all people who work in this country are covered by Social Security. In other words, they have a job where Social Security taxes are deducted from their paychecks. But about 10 percent of Americans work at jobs that are not covered by Social Security. Usually these are state and local government jobs.

Why is that? Because back when Social Security laws were enacted in the 1930s, Congress felt that they could not force a federal pension plan (Social Security) on state and local governments. So they gave them the option of joining Social Security or not. Most did. But some did not. And still today, there are some large groups of employees, like teachers in some states and police officers and firefighters in other states, who do not pay into Social Security.

Also, federal government employees were initially not covered by Social Security because they had their own pension system in place before Social Security came along. But all federal employees hired since 1982 pay into Social Security. However, there are still some old feds out there (hired before 1982) who are not in Social Security.

Folks who spend the bulk of their careers in jobs not covered by Social Security are potentially subject to a couple of offsets that impact either their own Social Security benefit (based on Social Security-covered work they did outside of their regular job) or any benefits they potentially might be due from their spouse's Social Security record. There always has been a great deal of confusion and an awful lot of misinformation about those offsets. If you are potentially impacted by these offsets, today's column will help you understand them.

One offset is called the "windfall elimination provision." This is the one that impacts your own Social Security benefit. The other is called the "government pension offset," and it reduces any spousal benefits you might be due.

The key to understanding the windfall elimination provision is to realize that the word "social" in Social Security means something. Unlike private and other public sector pension plans, there are social goals built into the Social Security program. One of those goals is to raise the standard of living of lower-income workers in retirement. This is accomplished through a benefit formula that is designed to give lower-paid workers a better deal than their more highly paid counterparts. Very low-paid workers could get a Social Security benefit that represents up to 90 percent of their earnings. This percentage is known as a "replacement rate." People with average incomes (the middle class) generally get a 40 percent replacement rate. Higher-income people get a rate around 30 percent.

The problem is that people who spend the bulk of their working lives not paying into Social Security are automatically treated as low-income people by the Social Security Administration's computers. That's because there are "zeros" on their Social Security earnings record for every year they spent in their non-Social Security job. SSA's records won't show they were actually working at the other job and earning another pension. Instead, their Social Security earnings record simply shows gaps in their work history. So when figuring their Social Security retirement benefit, SSA's computers automatically use the formula intended to compensate a lower-income person.

But teachers, police officers, firefighters and other government employees generally can be classified as people with average incomes, so they should get the same Social Security replacement rate paid to all middle-class workers. That's why a modified formula is used to refigure their benefits and give them the proper — and fair — replacement rate. If you're an employee impacted by this law, that modified formula takes you from the 90 percent (poor person's) replacement rate to the 40 percent (middle-class person's) replacement rate, thus reducing estimated benefits by about half.

Most career teachers and government employees generally have just barely over the qualifying 40 quarters (10 years) of Social Security covered work. But if you have 30 or more years of "substantial" Social Security earnings, the windfall provision won't apply and your benefit will not be reduced. If you have between 20 and 29 years of substantial earnings, your Social Security benefit will be only partially reduced. A chart giving a year-by-year breakdown of what the government considers substantial earnings is available at www.socialsecurity.gov/pubs/10045.html

The other rule that so many people misunderstand is the government pension offset, or GPO. In a nutshell, that law says that an amount equal to two-thirds of a non-Social Security-covered pension must be deducted from any Social Security dependent's benefits a person might be due. In effect, the law prevents most folks who work at jobs not covered by Social Security from collecting benefits as a wife, widow, husband, or widower from a spouse's Social Security record.

What these people don't realize is that the government pension offset law simply treats them in the same way that all other working people have always been treated. For example, if a woman who worked at a job that was covered by Social Security gets a Social Security retirement pension, that pension has always offset any spousal benefits she might have been due. Before the GPO law went into effect, people getting a non-Social Security pension were the only working people in this country who could get their own retirement pension AND a full dependent's benefit from Social Security.

And the GPO law actually gives these people a bit of a break. Social Security retirement pensions offset spousal benefits dollar for dollar. But a non-Social Security retirement pension causes only a three-for-two offset. In other words, for each $3 you get in a teacher's or other noncovered pension, you lose only $2 from Social Security spousal benefits.

Due to the space constraints of my column, this has been a VERY simplified explanation of a very complicated set of laws. To learn more about the government pension offset and the windfall elimination provision, send an email to me at thomas.margenau@comcast.net and ask for a free digital copy of my pension offset fact sheet.

Moody's Downgrades Fort Worth Ahead of $165M Deal

Fort Worth, Texas, will take $165 million of bonds to market after Moody's Investors Service (MCO) lowered the city's rating to Aa2 from Aa1.

The downgrade, which affects about $681 million of outstanding limited tax debt, was attributed to the city's rising pension liability and other fixed costs. The outlook is stable.
"Despite the high pension and fixed cost burden, the stable outlook reflects our expectation that the city will continue to evaluate the funding status of the pension plan to determine a viable way to increase funding and reduce liability over time," analyst James Hobbs wrote in Tuesday's report. "The outlook also reflects expected near-term growth in the tax base as well as in the available reserve position."
The city's General Purpose Refunding and Improvement Bonds are expected to price May 19. Proceeds will fund transportation, service facility, and other projects, as well as refund certain maturities of the city's outstanding debt profile for a projected net present value savings with no extension of the final maturity.
After this deal, the city will have $765.3 million in limited tax debt outstanding, according to Moody's (MCO). More than $121 million of the city's outstanding debt is supported by various other revenue streams outside of the general fund.
The city expects modest annual debt issuance over the next several years as the city grows and demand for services expands, Hobbs said. Officials anticipate issuances of$52 million in 2017, $60 million, in 2018 and $37 million in 2019.
Over the last five years the city's taxable value has grown on average 3.9% per year. The fiscal 2016 taxable value of $49.6 billion reflects a 5.5% increase over the previous year.
Top corporate employers include American Airlines Inc., Lockheed Martin Corp. (LMT), and General Electric Co. (GE)
"The city's top ten taxpayers, accounting for a modest 4.45% of the total tax base, highlight the diversity within the local economy," Hobbs wrote.
Fort Worth has several major development projects in the works, including the Trinity River Vision project, the Clearfork mixed-use project, an update to the historic stockyards and the Waterside master-planned development.

Drilling for natural gas in the Barnett Shale formation of North Texas has had much more of direct impact on Fort Worth than to its sister city of Dallas to the east. Producers have drilled 1,000 wells within the city limits of Fort Worth, while Dallas has not allowed those operations.
Fort Worth maintains a Special Revenue Fund made up of specific gas well revenues from city owned land and other government owned property. The revenue is earmarked for specific purposes.
The city fell short of funding its actuarial defined contribution for its pension plans in 2015 by $10.4 million, Moody's (MCO) said.

For fiscal year 2015, about half of the city's general fund revenues came from property taxes, while sales taxes produced 21% and franchise fees made up nearly 9%.

PUBLIC SAFETY OFFICERS' BENEFITS PROGRAM; IMPROVEMENTS MADE BUT INFORMATION ON PERFORMANCE GOALS STILL NEEDED:

The United States Government Accountability Office’s 2009 report on the Public Safety Officers’ Benefits program -- created to provide certain benefits in cases of public safety officers’ death or total disability in the line of duty identified issues with the timeliness of claims processing, program awareness, and performance measurement. Specifically, GAO found that death and education claims were processed faster than disability claims. GAO estimated that the Department of Justice’s PSOB Office generally had processed education and death claims in under a year while disability claims took between 17 and 26 months. In 2009, most claims were being processed on paper, and DOJ had plans to establish an automated claims system to help ensure more efficient claims processing and improve available claims data.

This system has since been established. GAO’s 2009 report also identified issues with awareness of program benefits and adherence to federal guidelines for performance monitoring. In particular, representatives of 15 of the 44 public safety organizations GAO spoke with mentioned a lack of awareness about disability or education benefits, while officials from another 6 organizations were concerned that their constituents had a general lack of knowledge of the program. Moreover, GAO found that because DOJ had not set strategic goals and measures for the program, monitored performance, or reported results, the program had little accountability.

To enhance claimant awareness and program accountability, GAO recommended that DOJ establish appropriate performance measures and goals for the PSOB program and use reliable data to monitor and report on program performance. DOJ agreed with GAO’s recommendations and has taken some steps to address them. Specifically, by 2014, DOJ had established two PSOB performance measures and posted data for these measures on its public website. DOJ subsequently posted data for additional performance measures on its website, including average number of days to assign a PSOB Outreach Specialist and percentage of claims determined within 1 year. While posting data on these measures represents an improvement, as of April 2016, DOJ had not taken the additional step of publishing performance goals which specify the desired level of performance for the PSOB program. GAO continues to believe that publishing performance goals is a key step in gauging how well the program is working and enhancing stakeholder awareness of the program.

Findings from a 2015 report by DOJ's Office of Inspector General highlighted the program's continuing problems in the timeliness of claims processing and reporting of reliable program performance data. The OIG concluded that it did not believe that the PSOB Office's database, as a management tool, was adequate to evaluate efficiencies in processing or to identify potential causes of timeliness problems. The OIG made four recommendations to DOJ to address these concerns, and DOJ agreed with the recommendations. Continued attention to these issues by DOJ is needed to help ensure accountability for achieving the program's goals.

Private Sector

Pensions may be cut to 'virtually nothing' for 407,000 people

One of the biggest private pension funds in the country is almost out of money, and fresh out of options.

The Central States Pension Fund has no new plan to avoid insolvency, fund director Thomas Nyhan said this week. Without government funding, the fund will run out of money in 10 years, he said.

At that time, pension benefits for about 407,000 people could be reduced to "virtually nothing," he told workers and retirees in a letter sent Friday.

In a last-ditch effort, the Central States Pension Plan sought government approval to partially reduce the pensions of 115,000 retirees and the future benefits for 155,000 current workers. The proposed cuts were steep, as much as 60% for some, but it wasn't enough. Earlier this month, the Treasury Department rejected the plan because it found that it would not actually head off insolvency.

The fund could submit a new plan, but decided this week that there's no other way to successfully save the fund and comply with the law. The cuts needed would be too severe.

Normally, when a multi-employer fund like Central States runs out of money, a government insurance fund called the Pension Benefit Guaranty Corporation (PBGC) kicks in so that retirees still receive some kind of benefit.

But that's not a great solution in this case. For one thing, the amount is smaller than what pensioners would have received under the Central States reduction plan, and is based on the number of years a retiree worked. A retiree would receive a maximum $35.75 a month for each year worked, according to the fund's website. (That amounts to $1,072.50 a month for retiree who worked 30 years.)

But there's yet another problem. The PBGC itself is underfunded and isn't expected to be able to cover all the retirees in the Central States Pension Fund.

"The fact that the ... PBGC is also running out of money means our participants may see their pension benefits ultimately reduced to virtually nothing when the fund runs out of money," Nyhan said in his letter.

Only government funding, either to the Central States Fund directly or through the PBGC, can fix the problem, he said.

The Central States Pension Fund covers workers and retirees from more than 1,500 companies across a range of industries, but most of its retirees were truck drivers.

A lot of the fund's companies went bankrupt after the trucking industry was deregulated in the 1980s. That's part of the reason the fund is in trouble now. It's currently paying out $3 for every $1 it takes in.

Although the Treasury Department rejected the proposed cuts, Secretary Jack Lew acknowledged that its decision does not resolve the problem. He urged Congress to address the remaining issues.

Nyhan is also asking Congress to come up with a solution. But right now there's only one piece of legislation on the table that could help, he said.

The bill was introduced by Senator Bernie Sanders last year, but never moved out of committee. It's called the Keep Our Pension Promises Act (KOPPA) and would provide more funding for the PBGC, specifically for struggling multi-employer plans. It would be paid for by closing a loophole in the estate tax and a tax break on sales of expensive art and other collectibles, according to Sanders' website.

Maryland launches private-sector retirement program

Maryland will become the latest state to create a retirement program for private-sector workers who do not have access to an employer-sponsored retirement plan, under legislation that Gov. Larry Hogan is scheduled to sign Tuesday.

The Maryland Small Business Retirement Savings Program and Trust, scheduled to take effect July 1, creates mandated payroll deduction individual retirement accounts for employees of small businesses and an 11-member board to implement and administer the program.

Members of the board would include the state treasurer, currently Nancy K. Kopp; the state secretary of labor, licensing and regulation, currently Kelly M. Schulz; three members appointed by the governor; three appointed by the president of the state Senate; and three appointed by the speaker of the House of Delegates.

People who work at least 30 hours per week for private-sector employers with 10 or more employees will contribute 3% of wages, but employees can opt out of the program.

Three in 10 U.S. Workers Foresee Working Past Retirement Age

Thirty-one percent of nonretired U.S. adults predict they will retire after age 67, the current minimum age for receiving full Social Security retirement benefits. Another 38% expect to retire between the ages of 62 and 67, spanning the existing Social Security age thresholds for benefits eligibility, while 23% expect to stop working before they turn 62 -- that is, before becoming eligible for any Social Security retirement benefits.

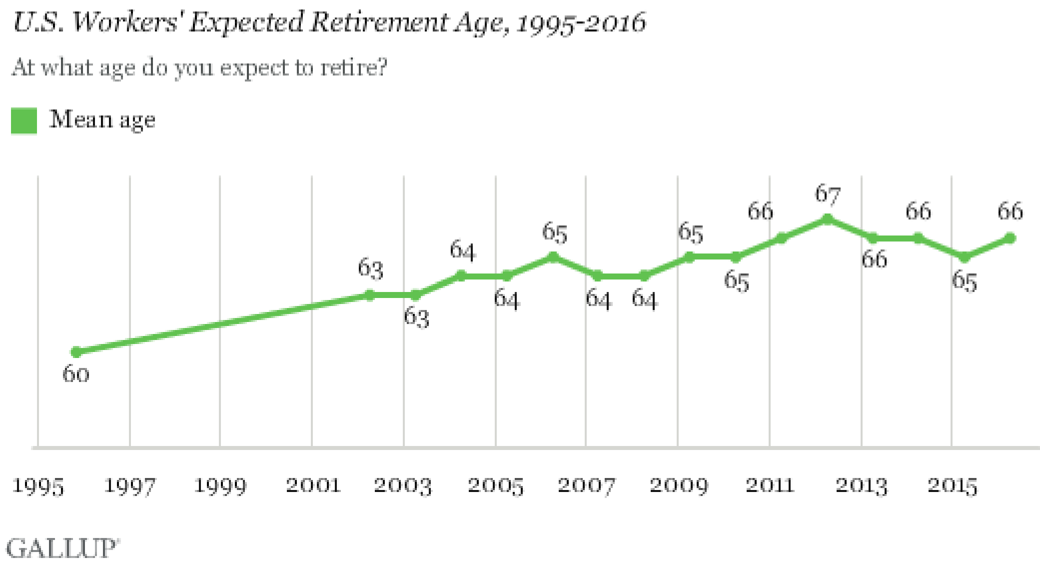
U.S. Nonretirees' Expected Retirement Age
At what age do you expect to retire?

	U.S. nonretirees%
Will retire before age 62	23
Will retire between ages 62 and 67	38
Will retire at age 68 or older	31
Unsure	8

Gallup, April 6-10, 2016

These findings are from Gallup's 2016 Economy and Personal Finance Poll, conducted April

6-10. The average age at which U.S. workers predict they will retire is 66, consistent with the 65 to 67 age range found since the 2007-2009 recession ended. The expected retirement age is up slightly from about 64 years of age spanning 2004 to 2008, and is up from 60 in 1995.



Lower-income workers plan to retire a bit later, on average, than those earning $75,000 or more annually. Young adults, those aged 18 to 29, plan to retire earlier than middle-aged and older adults, likely reflecting youthful optimism about their future income and savings.

U.S. Nonretirees' Expected Retirement Age
At what age do you expect to retire?

	U.S. nonretireesaverage age
Income	
Less than $30,000	70
$30,000 to less than $75,000	69
$75,000 or more	67
Age	
18 to 29	64
30 to 49	70
50 to 64	69
65+	*

* Sample size for 65+ nonretirees is insufficient for reporting
Gallup, April 6-10, 2016

Four in 10 Current Retirees Retired Before 62

In contrast with current workers' expectations about retirement, retired Americans report they stopped working at an average 61 years of age, significantly lower than the average 66 years at which today's nonretired Americans intend to stop working. More specifically, 42% of retirees say they stopped working before age 62, while just 13% continued working until they were 67 or older. Of course, current retirees span an age range of more than 40 years, meaning that some retired decades ago, while others may have retired the day before they were interviewed, and their age at retirement no doubt reflects societal and economic patterns in force at that time.

This doesn't tell the entire generational story, as approximately one in seven seniors (defined for this analysis as those aged 67 and older) are still in the workforce -- working full time, working part time or unemployed. When these are factored into the equation, 26% of adults 67 and older are either still in the workforce (14%) or worked until they were 67 or older before retiring (12%). That is a bit less than the 31% of today's nonretirees who intend to work past 67. However, the greater discrepancy is in the percentage retiring before age 62: 36% of today's seniors say they did this, while just 23% of current workers intend to.

U.S. Retirees' Retirement Age
At what age did you retire?

	Retirees%
Retired before age 62	36
Retired at age 62 to 66	36
Retired at age 67 or older	12
Not yet retired (working or unemployed)	14
No opinion	3

Gallup, April 6-10, 2016

Bottom Line

Myriad factors go into determining the best time to retire, not all of which are within workers' control. Financial troubles, poor health, family needs or being let go at work can all disrupt the best-laid plans. At the same time, for those who depend on it, the Social Security system forces people to gamble on their life expectancy in deciding whether to retire early with partial benefits or later with full benefits.

Although many of these factors are constant, some have changed in recent decades. As a result, the age at which today's workers expect to retire is significantly older, on average, than the age current retirees say they already did retire: 66 vs. 61, respectively. Some of that difference undoubtedly reflects the gradual increase, which Congress mandated in 1983, in the Social Security system's age threshold for receiving full benefits -- from 65 to 67. However, that does not explain the higher percentage of nonretirees who plan to work beyond age 67 compared with current retirees who report having worked this long -- 31% vs. 26%, respectively.

One factor causing today's workers to think about delaying retirement could be their recognition that working may be healthier than staying home. A recent Wells Fargo/Gallup Investor and Retirement Optimism Index survey found 67% of nonretired investors -- those with $10,000 or more in investments -- agreeing that they want to work as long as possible, given the benefits to their physical and mental health. At the same time, unexpected health problems could explain why some current retirees retired early.

In reality, however, many working Americans simply can't afford to retire. Fewer workers today than in the past say a pension will be a major income source in retirement, and many have been unable to save sufficiently during the economic slowdown of the past decade. Seven in 10 employed adults told Gallup in April that they are worried about not having enough savings for retirement. As a result, they now need to work as long as possible to build up their retirement nest eggs.

At the moment, most workers are forgoing any thought of retiring before 62, the minimum age to receive partial Social Security retirement benefits, while nearly a third are planning to hold off until after age 67. These figures already represent a departure from how today's seniors have handled retirement, and could easily change further if the economy or the Social Security Administration throws workers any more curve balls.

PBGC Takes Steps to Reduce Premium Penalties

The Pension Benefit Guaranty Corporation is proposing to cut penalties for late payment of premiums in an effort to reduce costs and make it easier for plan sponsors to maintain traditional pension plans.

As PBGC premiums have risen, so have the penalties.

"We think penalties should be no more than necessary to encourage timely payments," said PBGC Director Tom Reeder. "I'm committed to doing everything I can to help companies keep their pension plans."

Currently, PBGC uses a two-tiered penalty structure that rewards self-correction: A lower rate of 1 percent of the late payment per month late applies when a delinquency is corrected before PBGC notifies the sponsor. A higher rate of 5 percent applies if the correction is made following PBGC notification. Penalties in the first category are capped at 50 percent of the late amount, and 100 percent in the second instance.

The proposed rule, slated for publication in the Federal Register on Thursday, would reduce penalties for late payers by half. Additionally, for sponsors with good payment histories that pay promptly following notification of late payment, PBGC will reduce the penalty by 80 percent.

The proposed changes will apply to both single-employer and multiemployer plans, and will apply to late premium payments for plan years beginning in 2016 or later.

Under the Employee Retirement Income Security Act of 1974 (ERISA), plans covered by PBGC pay premiums each year. Premium rates are set by Congress. A summary of past, current, and future rates is available on PBGC's website.

How the Proposed Rule Reduces Penalties

The following example illustrates how the proposal differs from the current rules.

Example - Consider a situation where a $100,000 premium is paid two months late.
Scenario 1 - The plan discovered the underpayment and corrected it before PBGC sent notice.

Under the current regulation, PBGC would assess a $2,000 penalty (1 percent x $100,000 x 2 months).

Under the proposed regulation, the penalty would be half that amount, or $1,000 (½ percent x $100,000 x 2 months).

Scenario 2 - The payment was made after PBGC notified the plan that a premium amount was past due.

Under the current regulation, PBGC would assess a $10,000 penalty (5 percent x $100,000 x 2 months).

Under the proposed regulation, PBGC would assess a $5,000 penalty (2½ percent x $100,000 x 2 months).

In addition, if the sponsor qualified for the good payment history waiver, PBGC would automatically waive 80 percent of that amount reducing the penalty from $5,000 to $1,000 (the amount that would have been assessed due if the plan had "self-corrected" - see above).

About PBGC

PBGC protects the pension benefits of more than 40 million Americans in private-sector pension plans. The agency is directly responsible for paying the benefits of about 1.5 million people in failed pension plans. PBGC receives no taxpayer dollars and never has. Its operations are financed by insurance premiums, investment income, and with assets and recoveries from failed single-employer plans. For more information, visit PBGC.gov.

Senate approves resolution to kill DOL fiduciary rule

But without enough votes to overturn a threatened presidential veto, assistant secretary of Labor Phyllis Borzi calls the action 'the usual Washington Kabuki theater'

The Senate on Tuesday approved, largely along party lines, a resolution to kill a Labor Department rule that would raise investment advice standards for retirement accounts.

The Senate passed the measure, 56-41, with three Democrats voting in favor: Sens. Joe Donnelly of Indiana, Heidi Heitkamp of North Dakota and Jon Tester of Montana. The Republican-led House passed the resolution last month with only GOP votes.

President Barack Obama has promised to veto the resolution, which was advanced under the Congressional Review Act that gives lawmakers 60 legislative days to vote to halt major regulations after they are finished. The DOL final rule was released in April.

Neither the House nor Senate came close to a supermajority that could override a veto by Mr. Obama.

In an appearance at an Institute for the Fiduciary Standard event on Tuesday in Philadelphia, assistant secretary of Labor Phyllis Borzi, the primary architect of the rule, didn't seem concerned about the congressional action.

“This is the usual Washington Kabuki theater,” Ms. Borzi said.

The rule would require financial advisers to act in the best interests of their clients in 401(k)s, individual retirement accounts and other qualified accounts.

Supporters say it will protect middle-class savers from high-fee products that are recommended by advisers who are thinking more about filling their own wallets than their clients' best interests.

Opponents assert the rule will significantly increase regulatory costs for advisers and make investment advice much more expensive to give and receive.

“Compliance will be extremely complicated and expensive, resulting in increased consumer costs that will limit the services available to many modest-income investors,” eight financial-industry trade associations wrote in a letter to senators Monday.

Senate Majority Leader Mitch McConnell, R-Ky., said investment fees could more than double under the regulation and that “many consumers could risk losing access to quality, low-cost retirement advice.”

Some Senate Democrats expressed reservations about the rule last year. Sen. Ron Wyden, D-Ore., wrote a letter to DOL Secretary Thomas Perez that was signed by several of his colleagues calling for changes to the rule.

During the Senate floor debate Tuesday, Mr. Wyden said he was satisfied with the modifications made to the regulation, and that he opposed the resolution to halt it.

“I'm pleased to see that the secretary took many of our suggestions,” Mr. Wyden said. “For example, our letter highlighted the importance of a smooth transition to the new rule, so the secretary took steps that include an extended implementation period."

Ms. Borzi said the DOL's efforts to respond to criticism of the proposed rule during the lengthy comment period last year helped mute much opposition to the final rule.

"I found it fairly remarkable and somewhat gratifying that, except on Capitol Hill, we haven't had much bombast from the industry like we did when the proposal came out or in 2010 when the original proposal came out," Ms. Borzi said.