Ayco’s 2017 Summer InnerCircle Conference

Our 2017 Summer InnerCircle Conference was held on August 2-3 at a new venue – the just opened Albany Capital Center in Albany, NY. This was our 28th annual Conference in which benefit, compensation and human resource professionals have an opportunity to hear from their peers, as well as consultants, academics, and this year, a noted CEO, on a wide variety of topics of interest.

Ayco’s CEO, Tim O’Hara, once again kicked off the Conference welcoming over 90 attendees from 64 organizations. Presentations at this year’s Conference included the following:

- Perspectives on Today’s Workforce
- The Current Legislative & Regulatory Environment
- Employee Engagement: Insights & Strategies
- Emerging Trends in Healthcare
- The Dynamic Executive Compensation Process
- A Conversation with Larry Fink-CEO, BlackRock

Here is a brief summary of topics addressed at our 2017 Summer InnerCircle Conference:

- **Perspectives on Today’s Workforce**
  Edith W. Cooper, Executive Vice President & Global Head of Human Capital Management (HCM) at Goldman Sachs & Co. provided interesting insight into the challenges and changes over time in human resource management. “People are the common component – but it’s complicated.” Developing skills appropriate for the organization and keeping employees engaged is a constant challenge. Obviously, pay and competitive benefits are part of the process, but creating an environment in which employees can perform to their potential has to be part of the process.

Some of the biggest changes recently in HR have been with regard to technology and the use of data. The financial services industry is constantly changing, with technology now a core part of the business. Seventy percent of new hires are millennials who have a different perspective than preceding generations on technology and social media utilization. They expect it to have a more significant impact on their daily work lives, helping them to both learn and perform. This illustrates the need to adapt (or “pivot”) as associate demographics transition, and the importance of collecting data to keep ahead of such changes.

Development goals can then be adjusted, considering an appropriate pace for change and a company’s overall culture. The end result, of course, is to produce beneficial results to the organization.

Edith indicated that she has learned quite a bit in the nine years in her current position, including that you have to pay attention to talent and really care about people. Managing the pipeline can be a challenge, and more can and should be done to increase diversity in the workforce. She indicated that “diversity is a project that’s never done”.

Edith also discussed that changes were established in the Goldman Sachs recruitment process to help focus on this issue.

It was an interesting discussion as to the changes that have taken place within the past decade in the HR world.
Chris Gaston is Senior Policy Director at Davis & Harman LLP and has more than a dozen years of Capitol Hill experience representing clients on a wide-range of issues, particularly retirement policy. Chris provided a fascinating perspective on the realistic possibility of Congress passing anything this year which could impact retirement issues, healthcare plans or tax law changes. As Chris explained, the people matter, the math matters, and the process matters.

With regard to how “people matter”, President Trump has had so few of his appointments confirmed by the Senate (only 25% compared to those of the last five Presidents) that it will be extremely difficult to have many regulatory changes made this year. As an example, there has only been one individual confirmed at the Department of Labor, Secretary Alexander Acosta. This has made it exceedingly difficult to finalize the proposed Fiduciary Rule. The current transition rule has now taken effect, with the final rule scheduled to take effect as of January 1, 2018. While there have been proposals to further delay the rule (a possible 18-month extension is on the table), change the Best Interest Contract (BIC) exception, or coordinate with SEC, any action by Congress appears unlikely. In addition, there are varied views among the financial services industry as far as the correct path going forward. Thus, we are in a “wait and see” situation. (The DOL issued FAQs on the same day as Chris’ talk that comment on the confusion over whether recommendations designed to increase participation in retirement plans constitutes investment advice, as well as service provider disclosure requirements.)

Chris also explained why the “math matters” with respect to any potential Congressional action this year. The current 115th Congress is made up of 241 Republicans and 194 Democrats, which means that the only number that really matters in passing legislation through the House is 218 (50% of the total number of members). However, in the Senate, the key number is 60 (out of 100), which is required to consider and then pass most legislation. The Senate is currently made up of 52 Republicans and 48 Democrats or Independent members. Thus far, the Republican leaders have been unable to develop a successful strategy to enact any proposed legislation. With the defeat in their attempt to revoke or amend Obamacare, it appears that Congress will now shift toward possible tax reform. As Chris pointed out, there only are 48 days left in which Congress will be in session for 2017. This will make it extremely difficult to get through even those bills with bipartisan support.

Chris indicated that the CHOICE Act which would effectively repeal Dodd-Frank (including CEO pay ratio disclosure) has been approved by the House but has no chance of being approved by the Senate. However, the Retirement Enhancement and Savings Act of 2016 has bipartisan support and could eventually be enacted. It includes portability for lifetime income, an annuity selection safe harbor for pension plans, lifetime income disclosure for 401(k) plans, Form 5500 relief and certain other provisions. A separate bill with bipartisan support would authorize electronic delivery of plan documents and statements as the default feature. Other possible changes that could be incorporated into a tax bill include: a significant increase in the maximum HSA contribution limits, a reduction in the tax penalty for HSA withdrawals not used for medical expenses, a requirement of mandatory Roth contributions to 401(k) plans in certain circumstances, a suspension of the Cadillac excise tax on high-cost employer health plans until 2026, and zeroing out the employer mandate penalty since it cannot be entirely revoked. So it has been, and will continue to be, a challenging legislative and regulatory environment.

Cait Lamberton, is an Associate Professor at the University of Pittsburgh’s Katz Graduate School of Business and studies how behavioral science principles apply to business practices. With questions from Adam Hills of Ayco, she described the different focus of employees from different generations. Each has different priorities and it can be a challenge for employers to motivate all employees to take action by using a single method. For example, while baby boomers are likely more focused on retirement-related issues, newer hires in Gen X are more focused on paying off debt and saving for current family expenses. Meanwhile, Gen Y, typically have different priorities altogether.

Cait described effective ways to reach employees of all generations. As an example, a large majority feel good about assisting other employees with challenges they may face. A lasting positive emotion is allowing employees to do good for others. Cait also provided an extremely entertaining discussion of different personality types. For example, would you choose a chocolate brownie or an apple right now? Either could make sense, depending on the circumstances. In general, the brownie represents a focus on more immediate gratification (tastes great, but not great for you), while the apple represents a longer-term focus (may be not as immediately satisfying—but better for long-term health).
Cait also had an intriguing conversation about “system 1” (fast, emotional, lower-processing) and “system 2” (systematic, analytical, higher-processing) processors. Generally, people can think and analyze in both of these ways. But circumstances (such as time constraints or a distinct project) tend to push us in one direction or the other and each type can benefit an organization.

Finally, as it pertains to helping employees make financial decisions – and to cut down on the related stress commonly faced - Cait emphasized the benefits of defaulting to certain actions, (i.e., auto-enrollment in various benefits) or providing enhanced choice (“nudging” toward a decision or goal). She also discussed creating “behavioral bundles” which pair short-term gratification with long-term benefits and presenting a future lifestyle more concretely to solidify the importance of long-term decisions.

Emerging Trends in Healthcare

Brian Marcotte is the President and CEO of the National Business Group on Health (NBGH). His organization represents 420 mostly large employers on health policy issues. Cora Tellez is the CEO of Sterling Administration, a healthcare administrator based on the west coast. Moderated by Paul Clickman of Ayco, they discussed what they see as current trends and possible changes expected in corporate-sponsored healthcare.

Brian characterized employer-sponsored healthcare as relatively stable at the present time. Almost all large and medium-size employers still offer health coverage to their employees. NBGH conducted a survey recently in light of the uncertainty as to whether Obamacare would be maintained after this year and with costs expected to rise by around 5% next year. A large majority of the survey group currently offer one or more high deductible health plans (HDHPs) and just over 11% indicated that they expect to move toward full replacement in the next year or so. That is, they will replace all non-high deductible HDHPs with either a single or multiple HDHPs.

At the same time, retiree healthcare coverage will continue to diminish. What is expected to change are the delivery systems to educate and assist employees with healthcare decisions which could trim expenses. This includes greater use of telemedicine – which 96% of survey participants stated that they either currently offer or expect to add next year. In addition, employers are targeting action for employees to take. This includes utilizing Centers for Excellence to address medical concerns and helping patients understand their benefits, options and providers. It may also lead to bundling services for particular conditions in order to keep overall costs down. In addition, there will be less of a focus on communicating the value of benefits (e.g., Total Reward Statements) and more on describing the experience. That is, employers will work toward better assisting employees to utilize delivery systems being offered. This includes greater personalization of communications using actual data and updated technology.

There will also be a greater focus on wellbeing, both physical and emotional, including social connections. NBGH is seeing more companies providing resources and incentives to improve the health of their employees and this is intersecting with employees’ financial wellbeing, as these have been shown to be interrelated. In addition, more employers are encouraging the C-Suite to support this workforce strategy.

Cora Tellez discussed some of the generational differences she has seen. For example, Baby Boomers typically focus on whether they have accumulated sufficient assets to pay for their and a spouse’s expected medical expenses in retirement. Some will have retiree medical coverage. However, this may not be perceived as sufficient. Gen X are the “sandwich” or as Cora better described them “the panini” generation – pressed between parents and children (and also toasted). They focus on meeting current expenses, which typically does not include saving more for medical expenses. Lastly, the millennials have high expectations, realistically expect to go through several employers and need portable benefits.

Cora indicated that she sees the shift to high deductible health plans and HSAs as positive in at least one aspect. Employees are better engaged and now ask more questions of their healthcare providers since they have more “skin” in the game. The 800 lb gorilla remains fear. With a large deductible, what happens if a family has a medical emergency and not enough saved to pay for it. A significant issue for all eligible for an HSA is how to get employees to fully fund these most valuable savings mechanisms.

Brian and Cora talked about the increasing cost of prescription drugs. Specialty pharmacy costs are likely to remain a top concern. Brian urged employers to review the process by which rebates are sometimes made available to employers to offset the high cost of prescription drugs. This issue has already led to several class action lawsuits since rebates are not often passed down directly to employees.

Cora discussed how financial stress can impact employees’ health. Statistical data has shown that those employees dealing with financial stress can expect to pay 8% more in...
healthcare expenses. Technology has helped improve data available to both employers and employees, but it is clear that employees now want and need more information in order to deal with the increasing costs of healthcare. In addition, there needs to be improvement in the delivery system of information, including more data on costs and pricing in this area.

➢ The Dynamic Executive Compensation Process
A panel made up of Vicky Creamer, SVP & CHRO at ITT Inc., John J. Quattrone, SVP, Global Human Resources at General Motors Co., Peter Warwick, Chief People Officer, Thomson Reuters, Jeffrey Kanter, Managing Director at Frederick W. Cook & Co., Inc. and moderated by Eric Gordon from Ayco discussed current issue and trends in the world of executive compensation. Each of the panelists discussed changes in metrics being considered for long-term compensation awards. Jeff provided the perspective of compensation consultant and described how a Compensation Committee typically reviews executive compensation matters. He indicated that sensitivity levels are currently high with regard to long-term focus measures. Qualitative measures (based on more than just numbers, such as enhancement to organizational culture, workforce inclusion and environments issues) need to be considered and Jeff stated he expects a shift in metrics used in the next year or so. As an example, Total Shareholder Return (TSR) and Relative TSR may be used less and internal measures may be used more than in the past.

The panel discussed their perspective on the views of the corporate governance monitors ISS and Glass Lewis and their most recent proxy voting guidelines. While their recommendations are considered and taken seriously, they aren’t followed religiously. They are balanced against what the Board feels is right for the organization. Shareholder say-on-pay voting below a 93% level (or what key peers achieve) can be an embarrassment.

The panel also opined as to how changes in members of the Compensation Committee can affect executive pay practices at their company. Rotations can change the temperature of the Committee. Having non-executive members can provide a different perspective. Retention of key executives is always an issue and succession is a key task of the Compensation Committee. It was interesting hearing some of the different perspectives and focus from individuals with similar roles but at different companies. For example, John mentioned the importance in using relative metrics to help with cyclical businesses, while Peter mentioned that they tend to use absolute measurements since they feel challenged to find peers.

➢ A Conversation with Larry Fink – CEO, BlackRock
In 1988, Larry Fink and seven partners formed BlackRock. It currently is the largest investment firm in the U.S. with over $5.7 trillion in assets and Larry Fink has been recognized as one of the top CEOs in the country. Tim O’Hara held a fascinating conversation with Larry concerning a wide variety of topics. This included his view on improving corporate governance. Larry was one of 13 key executives-corporate CEOs, the head of the Canadian Public Pension Fund, and the heads of several institutional investors that issued “Common Sense Corporate Governance Principles” earlier this year. Larry commented on how there are not enough voices supporting the social responsibility of organizations, as well as each company’s long-term strategy. It is important for companies to communicate with their shareholders, being more transparent with goals and understanding that there are often pivots that a company may need to take periodically. A long-term strategy can be at odds with the “short-termism” often expressed by proxy activists.

Larry indicated that BlackRock does offer its perspective on corporate policies to the companies that it invests in. However, this is done privately rather than publicly. Companies need to adapt and be prepared periodically to change, especially in light of political and economic upturns. A key is to remain innovative. Technology has transformed BlackRock, allowing it to be more interactive with clients and also helping the company better educate its own employees. The greatest risk and fear for many employees is not having a sufficient safety net for retirement. In general, financial literacy needs to improve across the country.

➢ Summary
The feedback from attendees has been very positive. We hope you would consider next year’s InnerCircle Conference – details to be announced in the next several months.

Avoiding Penalty Taxes on Retirement Plan Distributions
“In this world nothing can be said to be certain, except death and taxes.” This quote is generally attributed to Benjamin Franklin, certainly one of the earliest financial planners, among his other informal occupations.

Estimating how much to save for retirement can be a challenge for everyone. It’s not only the accumulation phase that matters, but when and how to take distributions. Part of any retirement planning analysis then needs to take into account income taxes attributable to retirement plan
Almost all distributions from 401(k) plans, 403(b) plans, pension plans, IRAs, SEPs and similar plans will be subject to federal income taxes, and in many cases, state income taxes, upon distribution – with the exception, of course, of after-tax amounts and qualified Roth distributions. However, there can be situations in which an individual also can be subject to penalty taxes in addition to income taxes. The most common such penalty tax is the 10% additional tax imposed under IRC §72(t) for “early” distributions. In some cases, imposition of this penalty tax seems inherently unfair – as will be illustrated by recent court decisions we will describe below. But first, here is a brief summary of when this additional tax can be imposed.

**Background** - The 10% additional tax imposed on early distributions from qualified plans and IRAs was enacted just over 30 years ago in 1986. Its stated purpose was to discourage individuals from accessing their retirement funds prior to what was perceived as a normal retirement age. This was set at age 59½, in large part due to that being the age at which tax-sheltered annuities could be paid without a penalty. Certain exceptions were established to when this additional tax would be imposed. There also are a number of differences in the rules for distributions from a qualified employer plan (e.g., 401k) and an IRA.

Some of the exceptions from when this additional tax is imposed include distributions made: (a) following death; (b) for a qualified disability; (c) to the extent of deductible medical expenses above certain thresholds; (d) to individuals called to active military duty for at least 180 days; and (e) that qualify as a series of substantial equal periodic payments over life expectancy, subject to certain requirements. Then there are exceptions that apply only to distributions from a qualified employer plan and not to those from an IRA. These include distributions made upon separation from service if separation occurs in or after the year the individual reaches age 55, distributions made to an alternate payee under a qualified domestic relations order (QDRO), and a distribution of dividends from an employee stock ownership plan (ESOP). It is important to note that there is no exception for a qualified hardship distribution, even if a 401(k) or 403(b) plan allows it as the basis of an in-service withdrawal.

What this means is that if an individual receives a distribution from a retirement account, or has a taxable event even without a distribution (as will be explained below), there will often be unanticipated and unwanted tax consequences – absent a qualified rollover or a qualified Roth distribution. Steps should always be taken to avoid any tax penalties – yet, sometimes these can be incurred unexpectedly and even unfairly. Here are recent examples:

**Dividing Assets in A Divorce or Legal Separation**

Even though it may appear illogical, there is a difference between the division of qualified employer retirement plan and IRA benefits in the event of a divorce. A 401(k), 403(b), pension plan or other qualified plan assets can be divided without current tax consequences, including any 10% additional tax, if a QDRO is obtained. However, dividing an IRA or SEP requires a state domestic relations order that need not meet QDRO requirements. Here’s a recent example where parties getting divorced had the right intent, yet failed to follow the tax rules and unexpectedly incurred unfavorable tax consequences.

Jeremy and Karie Summers were married with four young children. In 2013, they agreed that their marriage was irretrievably broken and decided to separate. To protect the children, they decided to do this in the least acrimonious manner possible and, to minimize expenses, they decided to handle the divorce paperwork themselves. They agreed on child custody, child support, and a division of their property. This included an IRA in Jeremy’s name administered by Edward D. Jones & Co. He agreed to split it 50/50 with Karie. They filed a petition for divorce in Arizona incorporating their mutual agreement. While they were awaiting the court’s divorce decree, Karie asked Jeremy whether he could send her the 50% share of the IRA ($8,679) as soon as possible so that she could pay off her car loan. He agreed and in April, 2013, requested a distribution of his entire IRA and deposited it in their joint checking account. Karie used her portion to pay off her car loan. Just over a month later, the Arizona Superior Court granted their divorce.

Conversely, there are a number of exceptions that can apply to IRA early distributions that do not apply to employer retirement plans. These include payments for qualified higher education expenses, payouts of up to $10,000 for first-time homebuyers, and distributions covering the payment of health insurance premiums while unemployed.
When Jeremy filed his individual income tax return for 2013, he properly reported $17,378, the full IRA balance, as a taxable distribution. However, he did not report or pay any 10% additional tax on this amount. The Form 1099-R issued by Edward D. Jones & Co. reported the distribution as taxable with a Code1 in Box 7 indicating it was an “early distribution, no known exception applies.” (Both Jeremy and Karie were under age 59½). This triggered an IRS audit. The IRS auditor concluded that Jeremy did not qualify for the exception that applies to distributions pursuant to a state domestic relations order inasmuch as he had withdrawn the funds from his IRA prior to the court order being issued. Jeremy decided to challenge this decision and the U.S. Tax Court issued its determination just over a month ago (Summers vs. Comm’r of Internal Revenue).

Jeremy argued that equity and fairness should allow him to qualify for the 10% tax exception, at least for the 50% of the IRA that was transferred to Karie, since their intent and actual actions divided the IRA pursuant to their divorce. (He agreed that he could be subject to the additional tax for his portion which he did not rollover to an IRA within 60-days of the distribution). However, the Tax Court held that taxpayers must strictly comply with the requirements of the Internal Revenue Code and Treasury Regulations to be entitled for penalty taxes. Thus, despite the parties’ best intentions and Jeremy’s intent to assist his former spouse, the 10% penalty was properly assessed.

401(k) Plan Loans That Generated a 10% Tax Penalty

Here’s another example of an unexpected and arguably unfair tax penalty. Louelia Frias was employed as an assistant administrator and compliance officer at a nursing home in New York. She participated in the 401(k) profit sharing plan of her employer, which was administered by Mutual of America Life Insurance Company. In July 2012, Mrs. Frias requested and was granted a loan of $40,000 from her 401(k) plan account. This was not her first plan loan and she was familiar with the plan’s repayment provision under which her employer was to deduct from her salary the amount necessary to make the required periodic loan repayment of $342 bi-weekly. The loan agreement provided that in the event that any payment was missed, Mrs. Frias could pay the delinquent amount up to the last day of the calendar month following the month in which any regular payment was not made. If this “cure” payment was not made, then the entire loan would be in default and considered a taxable distribution.

During her paid leave of absence, Mrs. Frias received paychecks from her employer. However, the nursing home failed to deduct and remit the loan payments as required. Mrs. Frias did not know about this failure until she was told by a HR representative upon her return from leave in October of that year. When she learned of this, she immediately made a $1,000 payment and instructed the nursing home to withhold and remit loan payments in an increased amount for the next six months to catch up on what she owed. She then continued to make regular payments until the loan was fully repaid in July, 2014. Mutual of America sent Mrs. Frias a letter confirming that the loan had been repaid in full. However, the loan administrator later issued online a Form 1099-R for 2012 showing the entire loan amount as a taxable distribution. Mrs. Frias did not access or see it and there’s no indication that a paper copy ever was provided to her. Thus she did not report the $40,000 as a taxable distribution in 2012.

In 2014, the IRS audited her and issued a Notice of Deficiency claiming that she not only owed income taxes on the full amount of the loan, but also was liable for the 10% additional tax inasmuch as she was under age 59½. She contested this and the U.S. Tax Court issued its opinion last month. (Frias & Salomon vs. Comm’r of Internal Revenue).

Under IRC §72(p), any amount taken as a loan from a qualified employer plan will be treated as a taxable distribution unless the loan is made pursuant to a legally enforceable agreement, does not exceed the statutory maximums ($50,000 or 50% of the vested account balance), by its terms is to be repaid within five years, and has substantially level amortization over the term of the loan with payments made at least quarterly. If loan payments are not made in compliance with these rules, a “deemed distribution” occurs which leads to tax consequences. A plan administrator may provide an individual with an opportunity to cure any failure to meet the loan repayment terms, so long as the correction is made within a defined cure period.

In this case, once she learned of the failure on the part of her employer’s payroll division to withhold and pay the proper loan amount, she immediately began a repayment procedure. Thus, she argued that she timely cured their error. She also argued that any level amortization payment provision should not apply during an approved leave of absence without pay.
However, the court concluded that IRS regulations do not have an equitable component. While there is an exemption from substantially level amortization requirement while an individual is on a bona fide leave of absence for no longer than a year, it must be when the individual is either without pay or at a rate of pay less than the required installment payments. In this situation, because Mrs. Frias was receiving accrued sick leave and personal leave for a period of time, she did not qualify for this exception.

Mrs. Frias also argued that the mistake was not her fault and that she should not be penalized. She also argued that her employer essentially had agreed to allow her to suspend loan repayments during her leave period. However, since this was never formally evidenced in writing in the loan agreement, the court did not agree it excused the disastrous tax consequences.

The only relief that the court granted to Mrs. Frias was to eliminate the imposition of a 20% penalty that the IRS also sought to impose relating to a “substantial underpayment of income taxes.” There is a substantial underpayment if a taxpayer underpays their taxes by the greater of 10% of the tax required or $5,000. Here, the court agreed that the taxpayer had acted in good faith and had not underreported her tax liability knowingly.

Unstated in the court’s opinion was whether the nursing home, which was actually responsible for the unexpected taxation of the deemed distribution of the plan loan, plus the 10% additional tax penalties, reimbursed Mrs. Frias for the significant tax consequences of this situation, to say nothing of any expenses incurred for lawyers to contest this arguably unfair and inequitable result.

Another Loan Example
Here’s a recent example where the penalties were fairly assessed. Gregory Gowen held a masters’ degree in taxation, had been employed by several international accounting firms, including Ernst & Young, PricewaterhouseCoopers, and KPMG. While employed by KPMG, he borrowed $50,000 from his 401(k) plan account. The loan required 120 semi-monthly payments of $451.72 beginning on March 30, 2012. He ceased making payments as of August 30, 2012 after he lost his job with KPMG. The terms of the loan provided it would be considered in default and treated as a deemed distribution if all due loan payments were not paid during the “cure period”. This was defined in the loan agreement as the end of the calendar quarter following the quarter during which a payment was missed – or December 31, 2012 in this case. The plan administrator, Merrill Lynch, sent Gown default notices in November and December. Since he had not paid the unpaid loan installments, it issued a Form 1099-R for 2012 in January 2013 reporting $46,703 as a deemed distribution.

Gowen also had requested and received distributions from the 401(k) plan during 2012 equal to $86,000. He reported that amount as taxable income, but not the loan deemed distribution amount. Plus, he filed his Form 1040 late and was under age 59½ (he was age 51). The IRS audited him and assessed both the 10% additional tax on the amount he withdrew from his 401(k) account plus the deemed distribution, and a 20% underpayment penalty on the deemed distribution amount. He appealed and later sued the IRS. The Tax Court issued its opinion late last month. (Gowen vs. Comm’r Internal Revenue).

Gowen claimed that he had suffered financial hardships – both job loss and divorce, which should excuse any and all penalties. The Court concluded that while a qualified hardship could allow a 401(k) plan to make an early distribution, they do not excuse or justify any 10% additional tax relief. He also argued that the “cure period” should be a 6-month period from the date of any failed payment. The court disagreed. A plan can define a specific cure period and the plan in question defined it clearly. Thus, the Tax Court upheld the penalties asserted by the IRS.

**Tax Penalties**
Here are some of the tax penalties which can be assessed or incurred by an individual due to certain improper actions with respect to qualified retirement plans or IRAs:

- 10% additional tax on early distributions
- 10% penalty tax for excess annual contributions
- 50% excise tax for failure to take required minimum distribution after age 70½ or later termination of employment
- 15% penalty tax, expanding to 100% if not corrected for prohibited transactions
- 6% penalty tax each year that excess contribution amounts remain in an IRA
Did You Know...

- The number of publicly-listed companies on U.S. stock exchanges peaked at 8,025 in 1996. This number has declined to around 3,671 as of April 2017 (per Economist.com) with approximately 870 foreign companies in the mix. The number of companies filing initial public offerings (IPOs) also has dropped from around 300 per year in the 1990s to about 100 a year since 2000.

- The Dept. of Treasury announced late last month it will begin to wind down the myRA program. This was launched in 2015 as a way for individuals to set up an automatic direct contribution to a retirement savings vehicle if an employer did not provide a retirement savings plan. However, it has not been utilized very much and was deemed not to be cost effective.

- Institutional Shareholder Services (ISS) released their 2018 Annual Policy survey earlier this month to obtain feedback from institutional investors, corporate issuers and other interested parties as to possible changes it might consider for its 2018 proxy voting policies.

- A bill has been introduced in Congress that would increase the dollar limitation on employer-provided group term life insurance that can be excluded from an employee’s income from the current $50,000 to $375,000.

About This Newsletter

This newsletter is prepared for colleagues and friends of The Ayco Company, L.P. by its Benefits & Compensation Group (BCG) and is designed only to give notice of, and general information about, the developments actually covered. It is not intended to be a comprehensive treatment of recent legal developments or the topics included in the newsletter, nor is it intended to provide any legal advice. Any advice contained in the communication including attachments and enclosures is intended for the sole use of the addressee and is limited to the facts and circumstances actually known to the author at the time of this writing. Certain tax matters may require you to consult with your tax counsel. For more information on any of the topics covered, contact Richard Friedman, Vice President, BCG (518-640-5250) or email us at rfriedman@ayco.com.

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