

# MONTHLY BENEFIT News and Developments

Employee Benefits

## Employer Health Costs Rise

The Bureau of Labor Statistics has released a chart using data from its Employment Cost Trends program, showing that employer costs for health benefits in private industry increased 3.0% from December 2012 to December 2013, up from the prior year's increase of 2.1%. During the year, the increase in employer costs for benefits overall was 1.9%; wages and salaries increased 2.1% for the year.

[www.bls.gov](http://www.bls.gov)

## Upcoming Key Dates

**4/15/14** (unless a later date applies) – New deadline for amending a retirement plan and applying for a determination that a Puerto Rico-based retirement plan complies with the PR Internal Revenue Code of 2011.

**6/15/14** (fiscal years beginning after) – Effective date of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, for public-sector pension plan sponsors and governmental nonemployer contributing entities.

**6/30/14** – Last day of permitted use of IRS pre-December 2013 Forms 5300 and 5310 for requesting determination letters.

**7/1/14** (plan years beginning on/after) – Applicable date of the Mental Health Parity and Addiction Equity Act final regulations.

**7/1/14** (with earlier application permitted) – Applicable date of IASB's *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*.

**10/15/14** – New PBGC flat-rate premium filing due date for large single-employer and multiemployer calendar-year defined benefit pension plans.

## Legislative Activity on the Benefits Front

Congress approved and the President signed into law a measure (S.540, P.L.113-83) to raise the federal debt limit and thereby eliminate the risk of a government default for one year. Members of the House and Senate Appropriations Committees then began crafting legislation to fund the federal agencies for the fiscal year that will begin in October.

### Senate Efforts for a Minimum Wage Hike

The Senate leadership in the upcoming month intends to advance S.1737, a bill to increase the minimum wage from the current \$7.25 per hour to \$10.10 per hour over three years. The proposal is a key element of Senate Democrats' election-year agenda, but even if the Senate approves the bill, its prospects in the House remain uncertain.

*Meanwhile*, the President signed an Executive Order (EO) that raises the minimum wage to \$10.10 for federal government contract workers, effective for new and renewed contracts beginning Jan. 1, 2015. The EO also raises the tipped minimum wage, from the current base wage of \$2.13 per hour to \$4.90 per hour for contracts signed beginning in 2015. The base amount increases annually by \$0.95 until it reaches 70% of the regular minimum wage. In addition, the E.O. extends minimum wage protections to individuals with disabilities who are currently covered by specialized certificate programs that allow such workers to be paid less than others performing the same jobs.

### Revised Definition of "Full-time" Work and Comprehensive Tax Reform

The House Ways and Means Committee approved the "Save American Workers Act" (H.R.2575), which would replace the 30-hour per week threshold for classification as a full-time employee with a 40-hour per week work requirement, under the Affordable Care Act's (ACA) employer mandate. The bill could reach the House floor at any time, but a Congressional Budget Office and Joint Committee on Taxation report could hamper its advancement, particularly due to the bill's effect on the federal deficit. The report concluded that over a 10-year period, the bill would increase budget deficits by \$73.7 billion over the 2015-2024 period, as well as reduce the number of people receiving employment-based coverage; increase the number obtaining coverage through Medicaid, the Children's Health Insurance Program, or health insurance exchanges; and increase the number of uninsured.

*Separately*, Rep. Dave Camp (R-MI), Chairman of the Ways and Means Committee, released his comprehensive tax reform proposal, which includes provisions affecting employment-based benefits. For example, among the retirement plan provisions are: limits on employee pretax deferrals to 401(k), 403(b), and 457(b) plans; inclusion of "tax preference" items such as pretax retirement plan contributions (as well as health benefits) to a 10% surtax for higher-income workers; and modifications to required, hardship, and in-service distributions. Tax reform is not expected to advance this year, but the proposal may be viewed as a starting point for future negotiations. Camp's tenure as the committee's chairman also expires at the end of this Congress.

## GAO on Retirees

The Government Accountability Office released *Trends in Marriage and Work Patterns May Increase Economic Vulnerability for Some Retirees* (GAO-14-33), which noted that fewer retirees are expected to receive spousal or survivor benefits from Social Security and private employer-sponsored pension plans, increasing vulnerabilities for some. The report also noted that the shift from defined benefit to defined contribution retirement plans in the private sector increases the vulnerability of spouses because of different federal protections for spouses under these plans.

[www.gao.gov](http://www.gao.gov)

## CBO Report Looks at Health, Pension Plans

The Congressional Budget Office released *The Budget and Economic Outlook: 2014 to 2024*, which concludes that the ACA will reduce the total number of hours worked, on net, by about 1.5% to 2.0% during the period from 2017 to 2024, almost entirely because workers will choose to supply less labor – given the new taxes and other incentives they will face and the financial benefits some will receive. For the PBGC's multiemployer revolving fund, the CBO projects that the fund will be exhausted in 2021, after which the PBGC is expected to reduce financial assistance to a level that could be supported with premium increases.

[www.cbo.gov](http://www.cbo.gov)

## SSA Supplement Issued

The Social Security Administration released *Annual Statistical Supplement to the Social Security Bulletin, 2013*, which includes more than 240 statistical tables that provide comprehensive data on Social Security and Supplemental Security Income. The data cover program details such as beneficiary counts, amounts of benefits, and the status of the trust fund.

[www.ssa.gov](http://www.ssa.gov)

## Mortality Tables

The Society of Actuaries' Retirement Plans Experience Committee released an exposure draft of the Mortality Improvement Scale MP-2014 and a companion document, *RP-2014 Mortality Tables Report*, which establish a new basis for mortality assumptions for retirement programs.

[www.soa.org](http://www.soa.org)

## Regulatory Roundup

### Jointly from Treasury, Labor, and Health and Human Services:

- *Final and proposed rules* on the Affordable Care Act's (ACA) 90-day waiting period limitation, providing a phase-in and a delay for group health plans and insurance.

### From the Department of Treasury/IRS:

- *Final rule and Frequently Asked Questions (FAQs)* on the ACA's employer shared responsibility requirements (see [Client Action Bulletin 14-2](#)).
- *Final rule* clarifying when a substantial risk of forfeiture exists on the transfer of stock to an employee is treated as compensation.
- A *proposed rule* on the calculation of unrelated business taxable income for voluntary employees' beneficiary associations (VEBAs), supplemental unemployment benefit (SUB) trusts, and other exempt organizations.
- Updates to: *Instruction Manual* on 401(k) ADP/ACP correction methods; *Examination Process Guide on Multiemployer Plans*, which lists the top 10 errors found in audits; *Examination Worksheet No. 14* to identify major problems with defined benefit plan minimum funding requirements; *Applying for Exemptions and Miscellaneous Determinations* with sample questions on VEBAs and church affiliates; *Alert Guidelines* that include explanations and plan deficiency paragraphs that IRS's Employee Plans Specialists use when reviewing retirement plan documents; and *FAQs* to help retirement plan sponsors and their advisers when a plan is undergoing an Employee Plans Team audit.
- Three chapters of the agency's *Continuing Education Materials for Employee Plans Personnel*, covering post-Pension Protection Act legislation, retirement plan terminations, and defined benefit plans Schedule SB (Form 5500).
- *Quick Reference Guide for Public Employers*, providing a brief introduction to federal employment tax and required reporting information.

### From the Department of Health and Human Services:

- A *Notice to Employers* about enrolling this fall in the Small Business Health Options Program (SHOP) for coverage beginning in 2015.
- Updated *User Guides* and *How Tos* from the Retiree Drug Subsidy (RDS) Center, providing guidance on reports, payments, and registration.
- *Report to Congress* on the impact on premiums for individuals and families with employer-sponsored health insurance from the ACA's guaranteed issue, guaranteed renewal, and fair health insurance premiums provisions.

### From the Securities and Exchange Commission:

- *Investor Bulletins* on variable annuities, providing basic facts about variable annuities, and on fees and expenses and their effects on investment portfolios.

### From the Equal Employment Opportunity Commission:

- A *Correction* to its regulations on the Americans with Disabilities Act to include "reasonable accommodations" an employer may provide to disabled individuals.

### From the Department of Justice:

- A *Policy Memorandum* directing all agency employees to give lawful same-sex marriages equal protection under the law in every program the Department administers.

### From the Department of Commerce:

- A *Request for Information* from users of the Death Master File, seeking information about the feasibility of the establishing a certification program that would enable retirement plan administrators and others to access certain data on individuals whose deaths have been reported to the Social Security Administration.

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