

MONTHLY BENEFIT

News and Developments

Employee Benefits

Spring 2017 Multiemployer Pension Funding Study

Milliman's *2017 Spring Multiemployer Pension Funding Study* examines the estimated funded status of all U.S. multiemployer plans as of Dec. 31, 2016, and shows the change in funding levels from June 30, 2016. The aggregate funded percentage for multiemployer plans is estimated at 77% as of Dec. 31, 2016, compared with 76% as of June 30, 2016. The estimated 2016 calendar-year investment return for the study's simplified portfolio was about 7.7%, which would produce a slight gain, versus most plans' investment return assumptions.

Upcoming Key Dates

7/31/17 (for plan years ending on/after 10/1/16 and on/before 10/1/17) – Fifth reporting and payment of the outcomes research ("PCORI") fee by self-insured group health plan sponsors and insurers.

10/1/17 – Effective date of the CFPB's final rule on consumer protections for prepaid accounts (e.g., payroll cards).

11/15/17 – Deadline for health insurance issuers and third-party administrators on behalf of self-insured group health plans to make 2016 (and final) transitional reinsurance payments under the split payment schedule.

12/15/17 (annual periods after) – Effective date of FASB accounting rule on pension costs for publicly traded companies, unless earlier adoption is elected.

1/1/18 – By statute, PBGC flat-rate premiums for single-employer plans increase to \$74 per participant, and variable-rate premiums increase by inflation plus \$4.

1/1/18 – DoL begins enforcement of fiduciary/conflict-of-interest final rule.

Legislative Activity on the Benefits Front

With little advance notice and without a Congressional Budget Office (CBO) estimate of the cost and coverage implications of the revised "American Health Care Act" (AHCA), the House on May 4 voted 217-213 to approve and send to the Senate the bill (H.R.1628) to repeal and replace the Affordable Care Act (ACA). Final passage of the measure included two amendments. One amendment would allow states to apply for a waiver from the ACA's essential health benefits if, in general, they establish a high-risk pool to cover individuals with high-cost health conditions. If the waiver is approved, states also could permit insurance premiums to be based on a person's health status and age. The second amendment would add \$8 billion to further subsidize coverage costs for people with high-cost conditions who could experience significant premium or out-of-pocket cost increases resulting from the state waiver.

Three weeks later, the CBO released its analysis of the House-approved AHCA, concluding that the bill, over 10 years, would reduce the federal deficit by \$119 billion (\$32 billion less than the pre-amended bill) and would leave 23 million people uninsured (rather than 24 million) compared to current law. The CBO said the AHCA would slightly reduce premiums for some in the individual market – primarily the young and the healthy – but benefits would be less comprehensive than current coverage, and would significantly increase costs for older or sicker people. The CBO projected a destabilized insurance market for about one-sixth of the U.S. population due to states obtaining waivers.

Senate Republicans continue to work behind closed doors to develop their own bill to repeal and replace the ACA and have no set timetable to release legislative language.

In the Administration's FY2018 Budget Request

The White House released the President's budget request for fiscal year 2018 (which begins Oct. 1), calling for about \$3.6 trillion in spending cuts over 10 years and increasing spending for defense and for infrastructure projects. About half of the cuts are based on assuming that the ACA is repealed and that changes to Medicaid/Children's Health Insurance Program are enacted. The proposal, which members of both parties in Congress have denounced, also optimistically assumes a 3% annual rate of economic growth in eight of the 10 years (with a \$16 billion budget surplus in 2027). It leaves alone Medicare and Social Security, and calls for deficit-neutral tax reform (without details).

For the Department of Labor, the budget seeks nearly a 20% cut in discretionary programs such as training and unemployment insurance benefits. The proposal would raise about \$15.9 billion to improve the Pension Benefit Guaranty Corporation's solvency in the multiemployer pension program and separately proposes to accelerate PBGC premium payments beginning in 2025. Specifically, it would create a variable-rate premium (based on a plan's level of underfunding, subject to a cap) for underfunded multiemployer plans and an "exit" premium (equal to 10 times the flat-rate premium) to be paid by employers that withdraw from a plan. Premiums would be indexed to inflation, with additional rate increases for 2022 and 2027. The budget request also proposes \$18.5 billion in new spending to establish a paid parental leave program.

Federal Reserve on Retirement Savings

The Federal Reserve Board's [Report on the Economic Well-Being of U.S. Households in 2016](#) examines individuals' employment experiences, income and savings behaviors, economic preparedness, access to banking and credit, housing and living arrangement decisions, education and human capital, student loans, and retirement planning. The survey found that 50% of all nonretirees have money in a defined contribution retirement plan, which is nearly twice the 25% of nonretirees who have a traditional defined benefit pension plan. About 28% of nonretired adults indicated that they have no retirement savings or pension plan.

Census on Public Pensions

The Census Bureau's [2016 Annual Survey of Public Pensions](#) found that employer pension contributions made by state and local governments increased by 6.5% or \$8.5 billion, while earnings on investments dropped by \$105.7 billion to \$49.9 billion. Total contributions were \$191.6 billion in 2016, increasing 6.6% from \$179.7 billion in 2015. Government contributions accounted for the bulk of the amount, \$140.6 billion in 2016, increasing from \$132.0 billion in 2015; employee contributions amounted to \$51.0 billion in 2016, up from \$47.7 billion in 2015.

GASB Accounting Guides

The Governmental Accounting Standards Board issued:

- [Implementation Guide No. 2017-1, Implementation Guidance Update—2017](#), addressing such practice issues as the standards on pensions, cash flow statements, the financial reporting entity, investments, external investment pools, fund balance, and tax abatements. It also includes amendments to previously issued implementation guidance.

- [Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#), answers more than 150 questions about Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

Paid Family Leave

The CRS released [Paid Family Leave in the United States](#), summarizing state-level programs, policies in other advanced-economy countries, and recent proposals to increase access to paid family leave.

For the Treasury Department, the budget calls for a slight reduction in funding, from \$12.6 billion in FY2017 to \$12.1 billion in FY2018.

Retired Miners' Healthcare Benefits, State-Run Retirement Programs

The House and Senate approved an omnibus appropriations bill (H.R.244) to fund federal operations through Sept. 30 and to provide permanent funding for retired miners' healthcare benefits. The President signed the bill, and separately also signed H.J.Res.66, which nullifies a Labor Department rule providing guidance on state-run retirement savings programs for nongovernmental employees.

Regulatory Roundup

From the Department of Treasury/IRS:

- [Revenue Procedure 2017-38](#), which specifies the areas of the tax code in which the agency will not issue letter rulings or determination letters.
- [Revenue Procedure 2017-37](#), providing the 2018 inflation-adjusted amounts for health savings accounts and qualifying high-deductible health plans.
- [Revenue Procedure 2017-36](#), providing the 2018 inflation-adjusted amounts for the tax credits available under the Affordable Care Act's individual insurance mandate.
- [Chief Counsel Memorandum 201719025](#), addressing whether a benefit paid from an employer's self-funded, fixed-indemnity health plan is taxable.
- [Spring 2017 Statistics of Income Bulletin](#), showing that the 0.9% Medicare surtax and the net investment tax raised \$27 billion in 2015.
- Updated [Instructions](#) for Forms W-2 and W-3 for 2017.

From the Department of Labor:

- [Field Assistance Bulletin 2017-02](#), announcing a temporary nonenforcement policy for noncompliance with the fiduciary/conflict-of-interest final rule and a set of [frequently asked questions](#) confirming the June 9, 2017, compliance date and providing guidance on the transition period until Jan. 1, 2018.
- [Advisory Opinion 2017-2AC](#), discussing multiple employer welfare arrangements covering a subgroup of employer members of a trade association.
- [Semiannual Report to Congress, Volume 77 \(October 2016 - March 2017\)](#), which discusses audits and investigations done by the Office of the Inspector General to assess the effectiveness, efficiency, economy, and integrity of DOL's programs and operations, including those at the Employee Benefits Security Administration.

From the Pension Benefit Guaranty Corporation:

- A [web posting](#) showing 2016 State-by-State pension information.
- [Updated](#) questions and answers about the Risk Mitigation and Early Warning Program.

From the Department of Health and Human Services:

- [Health Insurance Coverage: Early Release of Estimates from the National Health Interview Survey, 2016](#), which estimates coverage in 45 selected states.
- An [announcement](#) of a plan to change the way that small businesses enroll in insurance coverage through the federal exchanges.

From the Social Security Administration:

- [Annual Statistical Supplement to the Social Security Bulletin, 2016](#), a resource providing data on the Old-Age, Survivors, and Disability Insurance programs.
- [Social Security Benefits and Private Annuities: A Comparative Analysis](#), which examines the similarities and differences between Social Security retirement benefits and annuities, and the factors that determine how much lifetime retirement income an individual would receive.

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