

MONTHLY BENEFIT

News and Developments

Employee Benefits

Upcoming Key Dates

1/1/14 (plan/policy years beginning on/after) – Depending on grandfathered or insured status and/or number of employees, applicable ACA requirements commence, including: prohibitions on annual dollar limits, preexisting condition exclusions, and waiting periods longer than 90 days; restrictions on cost sharing; coverage for certain clinical trials; expanded wellness incentives; coverage for adult children up to age 26; and transitional reinsurance program fee.

1/1/14 (plan years beginning on/after) – For single-employer plans, PBGC flat-rate premiums increase to \$49 per participant and variable-rate premiums increase to \$14 per \$1,000 of unfunded vested benefits, capped at \$412 times the number of participants. Multiemployer premiums remain at \$12 per participant.

1/31/14 – Deadline to file determination letter applications with the IRS for retirement plans in Cycle C or for governmental plans unless Cycle E is elected.

1/31/14 – Deadline for defined benefit plan mass submitters and preapproved plans to submit a request for an advisory/opinion letter to the IRS for the plans' second six-year remedial amendment cycle.

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.

6/15/2014 (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.

Legislative Activity on the Benefits Front

Members of Congress began to focus on year-end “must pass” legislation, although the House and the Senate convened for less than two weeks in November. A top priority remains a federal budget agreement for the fiscal year 2014 that began Oct. 1. By Dec. 13, a House and Senate conference committee must resolve the differences between the resolutions (H.Con.Res.25 and S.Con.Res.8) approved earlier by the respective bodies. A failure to reach an agreement by that date would require Congress to enact a continuing budget resolution to keep the federal government agencies operating beyond the Jan. 15 expiration of the current temporary funding agreement in place. Without a budget, funding for the agencies would be at the lower level imposed by the 2011 Budget Control Act's across-the-board spending cuts known as sequestration.

Because the sequestration sets spending levels at \$967 billion – which includes \$20 billion more in automatic cuts to defense programs over the \$469.4 billion cuts to nondefense programs – members of Congress are anxious to reach an agreement. However, Republicans and Democrats remain at odds over the appropriate level to replace the cuts: Democrats are inclined to stick with the Senate-passed budget of between \$1 trillion and \$1.058 trillion, while Republicans are pushing for about \$990 billion or less, with more cuts from the nondefense side of the ledger to boost funding for defense. And some of the more conservative members of the GOP appear sufficiently committed to the \$967 billion cuts and would prefer sequestration to almost anything the conference committee negotiates that does not reduce spending sufficiently on nondefense programs.

CBO Report Includes Benefits, Payroll Tax Items among Deficit Reduction Options

Meanwhile, the Congressional Budget Office released its biennial report that discusses spending cuts and revenue raisers. The 361-page *Options for Reducing the Deficit: 2013 to 2023* contains more than 100 options, including:

- an increase in PBGC insurance premiums for private single-employer pension plans;
- reduced tax preferences for employment-based health insurance;
- further limits on annual contributions to defined contribution plans;
- assess payroll taxes (federal income, Social Security, Medicare) on: employer-paid premiums for the FUTA/state unemployment insurance program, half of the premiums for workers' compensation programs, and/or the portion of premiums or contributions to pension plans funding disability benefits;
- an increase in the maximum taxable earnings for the Social Security payroll tax and/or expand Social Security coverage to newly hired state and local government employees; and
- an increase in the payroll tax rate for Medicare hospital insurance by one percentage point.

Employer Compliance with the Mental Health Parity Law

The Department of Health and Human Services' Office of the Assistant Secretary for Planning and Evaluation issued *Substantial Improvements to Mental Health and Substance Use Disorder Coverage in Response to the Mental Health Parity and Addiction Equity Act of 2008*, which found that large employer-sponsored plans made substantial changes to their benefit designs in response to the law and the issuance of the interim final rule.

www.aspe.hhs.gov

GASB Items

The Governmental Accounting Standards Board released:

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which eliminates a potential source of understatement of restated beginning net position and expense in a state or local government's first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- A toolkit to help state and local governments implement GASB Statement No. 67, *Financial Reporting for Pension Plans*. The toolkit contains an authoritative resource guide, a video, frequently asked questions, a fact sheet, an article, and a document that addresses common misperceptions about the new pension standards.

www.gasb.org

IASB and Pension Plans

The International Accounting Standards Board released *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*, which modify the accounting standards applicable to certain contributions – e.g., those that are independent of the number of years of employee service – from employees or third parties to pension plans.

www.ifrs.org

BLS on Leave Benefits

The Bureau of Labor Statistics has posted a chart showing the prevalence of holiday, vacation, sick, and other leave benefits for civilian workers.

www.bls.gov

Regulatory Roundup

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

- *Final rule* requiring financial requirements and treatment limitations parity between mental health or substance use disorder benefits and medical/surgical benefits in employer-sponsored group health plans.

From the Department of Treasury/IRS:

- *Final rule* on mid-year reduction or suspension of safe harbor contributions in 401(k) cash-or-deferred arrangements and section 401(m) matching contributions.
- *Final rule* on the additional Medicare hospital insurance tax on income above threshold amounts, providing guidance on withholding, return reporting, adjusting and filing claims for underpayments or overpayments.
- *Temporary and proposed rule* on voluntary withholding agreements between an employer and an employee, and allowing the IRS to issue later guidance describing payments for which a voluntary withholding agreement would be appropriate (e.g., nonwage income).
- *Chief Counsel Memorandum 2013-4301F* on the timing of a deduction for a cash bonus plan.
- *Web postings and updates* on: common errors on Form W-2 codes for retirement plans; fixing a failure to adopt a written 403(b) plan; tips for employers using preapproved plans; information on the agency's compliance project covering nongovernmental 457(b) ("top hat") plans; and *Frequently Asked Questions* (FAQs) on same-sex couples who are married under state laws and on the Affordable Care Act's (ACA) transitional reinsurance program that requires all health insurance issuers and third-party administrators on behalf of self-insured group health plans to make contributions to support payments to individual market issuers that cover high-cost individuals.

From the Department of Labor:

- *Advisory Opinion 2013-05A*, which discusses deferred prosecution agreements entered into by an investment management affiliate.

From the Pension Benefit Guaranty Corporation:

- *Final rule* updating the tables used to determine expected retirement age for plans undergoing a "distress termination."
- An *announcement* that the 2014 maximum yearly guarantee for a 65-year old retiree will increase to \$59,318.16.
- An *announcement* that for the 2014 plan year, the per-participant flat-rate premium for single-employer plans will be \$49 (up from \$42 in 2013), and for multiemployer plans, \$12 (unchanged).
- *Annual Report, 2013*, which noted the agency's deficit of \$35.6 billion as of Sept. 30, 2013, consisting of deficits of \$27.4 billion for the single-employer program and \$8.3 billion for the multiemployer program.

From the Department of Health and Human Services:

- A *letter* to state insurance commissioners encouraging them to permit one-year renewals of certain small-group and individual health insurance policies that were in effect on Oct. 1, 2013, and that do not satisfy ACA standards relating to insurance market reforms.
- An *announcement* delaying the online access to the Small Business Health Options Program exchanges until November 2014, along with a set of FAQs.

From the Social Security Administration:

- An *announcement* of a delay in the processing dates of the 2013 W-2 forms, due to the federal government shutdown in October.

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