

# MONTHLY BENEFIT News and Developments

Employee Benefits

## 2013 Milliman Medical Index

The *Milliman Medical Index*, which measures the healthcare costs for a typical American family of four receiving healthcare benefits through an employer-sponsored preferred provider organization (PPO) plan, found that the cost of care is \$22,030 in 2013. In addition to highlighting which costs are borne by employers and which are borne by employees, the MMI also tracks cost increases based on different categories of care, including inpatient care, outpatient care, physician and professional services, and pharmaceuticals.

[www.milliman.com](http://www.milliman.com)

## Upcoming Key Dates

**7/31/13** (for plan years ending 10/1/12 – 12/31/12) – First reporting and payment of the outcomes research (PCORI) fee by self-insured group health plan sponsors and group insurers on IRS revised Form 720.

**9/23/13** – Required compliance with final rule on HIPAA privacy requirements by covered entities and business associates.

**9/30/13** (unless required later) – Deadline for Puerto Rico-based retirement plans to file for updated qualification letters if timely amended to comply with the Puerto Rico tax code.

**10/1/13** – Enrollment begins for 2014 health insurance exchanges.

**12/31/13** – Deadline to amend 401(k), 403(b), or 457 governmental plans to provide loans or hardship distributions due to Hurricane Sandy.

**12/31/13** (unless required later) – Deadline to amend underfunded single-employer defined benefit plans to comply with the restrictions on benefit accruals and optional benefit payment forms.

## Legislative Activity on the Benefits Front

Congress returned from its spring break and took up a few pieces of legislation with employee benefits implications during the three weeks it was in session during May:

- The "Student Loan Affordability Act," which is aimed at stopping the doubling of the student loan interest rate scheduled to take effect on July 1. The Senate version (S.953), which is ready for floor action, includes as a revenue raiser a provision generally requiring that retirement savings accounts be distributed to a nonspouse beneficiary within five years of the death of the account holder. The House version (H.R.1911), approved on May 23, does not have the retirement savings distribution provision.
- The "Working Families Flexibility Act" (H.R.1406), which the House approved on May 8. The bill would amend the Fair Labor Standards Act to allow private employers to provide compensatory time off at a rate of 1.5 hours instead of paying overtime compensation. The bill requires Senate approval.
- "The Patients' Rights Repeal Act" (H.R.45), which would fully repeal the Affordable Care Act, cleared the House on May 16. The bill is not expected to advance in the Senate.

## Tax Reform and Employee Benefits

Meanwhile, the congressional tax writing committees continued to lay the groundwork for formal consideration of tax reform, possibly later this year:

- The Joint Committee on Taxation issued a 568-page report to the House Ways and Means Committee, summarizing current law, key tax reform proposals, and formal submissions to the committee's working groups on tax reform. Tax incentives for employer-sponsored retirement plans – both defined benefit and defined contribution arrangements – are specifically discussed, along with multiemployer plans, stock plans, and IRAs.
- The Senate Finance Committee released its seventh "options paper" on tax reform. This paper on "economic security" issues reviews employer-sponsored health and retirement plans, life insurance, and fringe benefits, along with executive compensation. The discussion in the retirement arena covers: limiting or eliminating tax preferences; replacing deductions, exclusions and credits with a single refundable tax credit; simplifying the plan selection and administration process; and reducing "leakage." On health plan issues, the paper considers reducing tax expenditures and expanding tax benefits. The committee's earlier options papers covered "families, education, and opportunities" (including child care programs, education benefits, and employment-based tax credits) and "tax code simplification" (including electronic filing of certain employee benefit plan information and reports, such as annual ERISA registration statements, annual returns of pension, annuity, stock bonus, profit-sharing, and other funded deferred compensation plans, and periodic actuarial reports under the tax code's minimum funding standards).

## 2013 Trustees' Reports

▪ The Social Security Board of Trustees released its annual report on the long-term financial status of the Social Security Trust Funds. The combined assets of the Old-Age and Survivors Insurance, and Disability Insurance (OASDI) Trust Funds are projected to become depleted in 2033, unchanged from last year; the DI Trust Fund will become depleted in 2016, also unchanged from last year's estimate.

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

▪ The Medicare Trustees projected that the trust fund that finances Medicare's hospital insurance coverage will remain solvent until 2026, two years beyond what was projected in last year's report. The improved outlook was attributed to, among other things, lower-than-expected Part A spending in 2012 and lower projected Medicare Advantage program costs.

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

## ESOP Accounting Disclosure

The Financial Accounting Standards Board (FASB) released *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04*, which would defer indefinitely the effective date for certain disclosures about investments held by a nonpublic employee benefit plan in the plan sponsor's own equity securities.

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

On a related note, the Department of Labor filed a formal comment letter to FASB, expressing the Department's view that deferring the effective date of disclosure requirements for certain nonpublic employee benefit plans, as FASB has proposed, would deprive employee stock ownership plan (ESOP) participants of critical information about valuing their employer's securities.

## Early Retirement Withdrawals

The Federal Reserve Board's *Early Withdrawals from Retirement Accounts During the Great Recession* shows that for every dollar workers contributed to their pension and individual retirement accounts in 2010, taxpayers younger than 55 took nearly half – 45 cents – as a taxable distribution.

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

## Regulatory Roundup

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

- *Final rule* on employment-based wellness programs, effective for plan years beginning on or after Jan. 1, 2014.

### From the Department of the Treasury/IRS:

- *Final rule* on providing updated information by individuals assigned an employer identification number (EIN).
- *Revenue Procedure 2013-25*, providing the inflation-adjusted limits for contributions to a health savings account for calendar-year 2014.
- A *web posting* containing five tips to avoid processing delays with Voluntary Compliance Program submissions under Revenue Procedure 2013-12.
- *Private Letter Ruling 201319034*, which provides the taxpayer a waiver from the 60-day rollover requirement for retirement plan distributions due to an error committed by a financial institution.

### From the Department of Labor (DOL):

- *Technical Release 2013-02*, providing temporary guidance and model notices on notifying employees of health coverage options through the health insurance exchanges available beginning in 2014, as well as similarly revising the COBRA election notices.
- *Proposed amendment* to Prohibited Transaction Exemption 80-26 (a class exemption allowing, under strict conditions, an employee benefit plan to make interest-free loans and extensions of credit to such plans) to provide temporary and retroactive relief for certain cross-collateralization agreements between ERISA-covered plans (and IRAs) and financial institutions/brokerages that are parties in interest to the plans.
- *Advance Notice of Proposed Rulemaking* to solicit public comments on a possible requirement that defined contribution plans' benefit statements illustrate a participant's current and projected account balances as an estimated lifetime stream of payments, along with a web posting of a *calculator* and *fact sheet*.
- *Workplace Wellness Programs Study Final Report*, which presents a literature review, employer survey results, analysis of an existing industry-wide database, and case studies of workplace wellness programs.
- *Schedule C Bulletin--Service Provider Information, an Abstract of 2010 Form 5500 Private Pension Annual Reports*, which provides aggregate information on direct and indirect compensation paid to retirement plan service providers, broken down by single-employer and multiemployer plans, defined contribution and defined benefit plans, amount of assets, industry, number of participants, and type of service.

### From the Pension Benefit Guaranty Corporation (PBGC):

- *Notice of intention to request OMB approval* of a voluntary survey seeking information from multiemployer pension plans, their actuarial service providers, and their stakeholders to assist with the agency's research into funding policy alternatives.

### From the Department of Health and Human Services (DHHS):

- *Final rule* and employer and employee *application forms* for the Affordable Care Act's Small Business Health Options Program (SHOP).

### From the Equal Employment Opportunity Commission (EEOC):

- Four revised *Questions and Answers Series* documents that address how the Americans with Disabilities Act (ADA) applies to applicants and employees with cancer, diabetes, epilepsy, and intellectual disabilities.
- A *press release* summarizing the testimony the agency received during its meeting on employer-sponsored wellness programs and questions raised by antidiscrimination laws such as the ADA and the Genetic Information Nondiscrimination Act.

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