

MONTHLY BENEFIT

News and Developments
Employee Benefits

Milliman Medical Index, 2014

The 2014 Milliman Medical Index finds that healthcare costs for a typical American family of four receiving coverage from an employer-sponsored preferred provider organization will increase this year by 5.4% – or \$1,185 – resulting in a total cost of \$23,215, over the 2013 cost of \$22,030. Employers pay \$13,520 of this; employees pay the remaining \$9,695 through payroll deductions and cost sharing at the time of service. From 2010 to 2014, employees have assumed an increasing percentage of the total costs – about 32%, versus a 26% increase for employers.

www.milliman.com

Upcoming Key Dates

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.

10/31/14 (unless a later date applies) – Compliance with new compensation committee independence standards for NYSE and NASDAQ listed companies.

11/5/14 – Deadline for large health plans that are covered entities under the HIPAA rules to obtain a Health Plan Identifier Number.

11/15/14 – First reporting of annual enrollment of covered lives by self-insured or partially insured group health plans, under the ACA's transitional reinsurance program.

Legislative Activity on the Benefits Front

The Senate in May attempted to hold a vote on a bill that would extend tax provisions that expired at the end of 2013 or that will expire this year, but were unable to reach agreement to proceed. The bill (H.R.3474) in the Senate modifies the original House-approved bill calling for employers to be allowed not to take into account, under the Affordable Care Act's employer mandate, employees with healthcare coverage under programs – including TRICARE – administered by the Department of Defense or the Veterans Administration. The Senate added the tax provisions and is considering an amendment (S.Amdt.3060) that would extend the following items related to employee benefits, compensation, and employment:

- the multiemployer defined benefit plan automatic extension of amortization periods, as well as the funding improvement and rehabilitation plan rules, through 2015;
- the parity for the tax exclusion for employer-provided mass transit and parking benefits through 2015, retroactively applying to months in the 2014 tax year, and including expenses for "bikeshare" programs as part of qualified transportation benefits;
- the Health Care Tax Credit for displaced workers (i.e., those receiving Trade Adjustment Assistance or retirees receiving benefits from the PBGC) through 2015, retroactively applying to coverage beginning after Dec. 31, 2013;
- the employer wage credit for employees who are active duty members of the uniformed services, with an expansion to enable an employer of any size (rather than limiting the credit to eligible small employers) to obtain the credit and an increase in the credit rate to 100% of eligible differential wage payments of up to \$20,000, for 2014 and 2015; and
- the Work Opportunity and Indian employment tax credits for 2014 and 2015.

The bill includes inflation adjustments for certain civil penalties under the tax code, such as for a failure to file a return or pay a tax, a failure to file certain information returns and registration statements, a failure to file correct information returns, and a failure to furnish correct payee statements.

In addition, the bill makes "technical corrections" to numerous laws. For example, it would correct the 2008 Heroes Earning Assistance and Relief Act to clarify the disposition of unused health benefits in flexible spending accounts so that a plan would not fail to be treated as an accident or health plan merely because it provides for qualified reservist distributions.

House action on a comprehensive extenders bill is highly uncertain. For now, the House is taking a piecemeal approach that could establish a negotiating position on extenders later this year, possibly not until after the November mid-term elections. The House thus far has approved one business-related extender, the research and development credit, and has other bills awaiting floor votes, but none includes compensation-, benefits-, or employment-related tax extensions.

GAO Reports

The Government Accountability Office released:

- *Retirement Security: Challenges for Those Claiming Social Security Benefits Early and New Health Coverage Options* (GAO-14-311), which examines the demographic and occupational characteristics associated with early claiming of social security benefits; retirement income of early claimers compared to those who delay; and how the ACA changes health coverage options for early claimers.
- *Economic Benefits of Income Exclusion for U.S. Citizens Working Abroad Are Uncertain* (GAO-14-87), which evaluates the potential advantages and disadvantages of modifying or removing the foreign earned income exclusion that reduces the tax liability even if the U.S. taxpayers working abroad paid no foreign income taxes to another country.

www.gao.gov

Compensation Limits for Government Contractors

The Department of Defense, General Services Administration, and National Aeronautics and Space Administration issued a final rule that expands the application of the senior executive compensation benchmark to a broader group of employees on government contracts. The senior executive compensation benchmark amount limits the reimbursement of contractor employee compensation costs.

www.acquisition.gov/far/

GASB Items

The Governmental Accounting Standards Board released an Exposure Draft, *Fair Value Measurement and Application*. The accounting body for state/local governments also approved Exposure Drafts as follows:

- *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*;
- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; and
- *Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts That Meet Specified Criteria, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

www.gasb.org

Regulatory Roundup

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

- *Frequently Asked Questions (FAQs) Part XIX*, covering preventive services, cost sharing, health flexible spending accounts, summary of benefits and coverage, and COBRA notices.

From the Departments of Treasury/IRS:

- *Final rule* clarify the tax treatment of payments by qualified retirement plans for accident or health insurance.
- *Revenue Procedure 2014-32*, providing guidance on a new one-year pilot program offering relief to small-plan administrators that fail to timely file a Form 5500 Series Annual Return/Report.
- *Revenue Ruling 2014-15*, providing guidance to employers funding their retiree health benefits through a wholly owned subsidiary.
- *Notice 2014-37*, allowing 401(k) or 401(m) safe harbor plan sponsors to adopt a midyear plan amendment to reflect IRS's earlier guidance on recognizing same-sex marriages before the June 26, 2013, U.S. Supreme Court's ruling in *Windsor*.
- *Notice 2014-35*, providing administrative relief to late filers of Form 5500 if the requirements of the DOL's Delinquent Filer Voluntary Compliance Program are satisfied.
- *Private Letter Rulings 201422028, 201422029, 201422030, and 201422031*, which allow the specific taxpayers to provide a short-term offering of a lump-sum benefit to defined benefit plan participants receiving an annuity.
- Updated web postings on: employer and employee retirement plan contributions, loans, and reporting under the Uniformed Services and Reemployment Rights Act and the Veterans and Sailors Civil Relief Act; retirement plan investments; 403(b) tax-sheltered annuity programs; the determination letter application review process for employee stock ownership plans; and frozen defined benefit plans and related compliance issues.

From the Department of Labor:

- *Proposed rule and model notices* containing changes to the COBRA healthcare continuation coverage notice requirements, taking into account the ACA.

From the Pension Benefit Guaranty Corporation:

- *Final rule* on benefits payable in terminated single-employer plans, limitations on guaranteed benefits, and shutdown benefits.
- *Final rule* amending the multiemployer plan regulations to reduce the number of actuarial valuations required for certain small terminated but not insolvent plans, to shorten the advance notice filing requirements for mergers in situations that do not involve a compliance determination, and to remove certain insolvency notice and update requirements.
- *Final rule* on the phase in of guaranteed benefits in the event of an "unpredictable contingent event" (such as a plant shutdown) in a single-employer plan, as provided under the 2006 Pension Protection Act.
- *Notice of Intent* to request approval to require standard termination plans' administrators to submit the most recent plan document and proof of benefit distributions along with the post-distribution certification.

From the Department of Health and Human Services:

- *FAQs* on health insurance market reforms and marketplace standards, which provide guidance on the implementation of the ACA's essential health benefits and actuarial value, guaranteed availability, minimum essential coverage, and transitional policy extensions, including information for employer-based coverage.

Milliman Monthly Benefit News and Developments contains general information that is not intended to constitute the rendering of legal, tax, investment, or accounting advice. Application to specific circumstances should rely on further professional guidance.