

MONTHLY BENEFIT

News and Developments

Employee Benefits

2016 Retirement Fund Assets

The Federal Reserve released *Financial Accounts for the United States, Fourth Quarter 2016*, which noted that retirement assets for 2016 totaled \$19.1 trillion. Across public and private defined benefit and defined contribution plans, total assets grew 8%, from \$17.6 trillion in 2014 to \$19.1 trillion in 2016. Private pension plan assets in 2016 amounted to \$3.3 trillion, up 3% from the \$3.2 trillion recorded for 2014. Corresponding figures for private defined contribution plan assets were \$5.7 trillion, up 9.6% from \$5.2 trillion.

Upcoming Key Dates

6/9/17 – Revised applicability date of the Labor Department's conflict-of-interest/fiduciary rule and portions of the related exemptions.

6/15/17 (fiscal years beginning after) – Application of GASB Statement 75 by governments, requiring reporting of retiree healthcare liabilities on balance sheets.

6/15/17 (reporting periods beginning after) – Effective date of GASB Statement 84, Omnibus 2017, unless earlier application elected.

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.

Legislative Activity on the Benefits Front

The House Republican leaders introduced the "American Health Care Act" (AHCA, H.R.1628) to repeal and replace the Affordable Care Act (ACA) and quickly moved the bill to the floor with support from the White House. Facing opposition from Democrats and from GOP factions that argued that the AHCA did not go far enough in repealing the ACA or that it harmed states that expanded Medicaid and left too many uninsured, along with the Congressional Budget Office's estimate that the bill – before the final amendments – would add \$150 billion to the deficit and leave millions of people uninsured over 10 years, House Speaker Paul Ryan (R-WI) withdrew the AHCA minutes before a final vote. Ryan and the Administration said they would leave healthcare reform for another day and begin focusing on tax reform and other priorities. They also had been counting on acting on the health bill first to make tax reform easier, because the AHCA's \$1 trillion in tax savings would reduce revenues needed to produce a revenue-neutral tax reform plan.

The AHCA's key provisions that could remain in future ACA replacement efforts and that affect employers' healthcare coverage and benefits would:

- set the penalty for large employers that are required to, but do not, provide minimum essential coverage at zero, beginning in 2016;
- delay the imposition of the 40% excise tax on high-cost insurance (i.e., the Cadillac tax), from 2020 to 2026;
- repeal the tax on amounts from health savings accounts (HSAs) and health flexible savings accounts (FSAs) for over-the-counter drugs starting in 2017; lower the tax on amounts from HSAs that are not used for qualified medical expenses from 20% to 10%; repeal the limits on contributions to health FSAs beginning in 2018; increase the amount that may annually be contributed to HSAs to the maximum amount of a high-deductible health plan's deductible plus out-of-pocket expenses (e.g., \$6,550/\$13,100 for self-only/family coverage beginning in 2017; and allow both spouses to make catch-up contributions to HSAs starting in 2018;
- permit a deduction for the employers providing retiree drug coverage without taking into account the ACA's subsidy, beginning in 2017; and
- repeal the 0.9% Medicare Hospital Insurance surtax on employees' high incomes.

Upon returning from its Spring recess, Congress must focus on legislation to keep the federal agencies funded beyond April 28, when the current temporary funding law expires.

Other Bills Moving

The President on March 27 signed into law (P.L.115-11) a resolution (H.J.Res.37) that permanently invalidates the former Administration's "Fair Pay and Safe Workplaces" Executive Order that required federal contractors to disclose their labor and employment law violations when bidding on new or renewed contracts worth at least \$500,000. The Senate provided final congressional approval on March 6 when it voted 49-48 to approve the House-passed measure.

Accounting Developments

- The Financial Accounting Standards Board (FASB) issued [Accounting Standards Update No. 2017-07, Compensation—Retirement Benefits \(Topic 715\), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost](#), which is aimed at improving the presentation of net periodic pension cost and net periodic postretirement benefit cost.

FASB also released [Proposed Accounting Standards Update—Compensation—Stock Compensation \(Topic 718\): Improvements to Nonemployee Share-Based Payment Accounting](#), intended to reduce cost and complexity and to improve financial reporting for nonemployee share-based payments.

- The Governmental Accounting Standards Board issued [GASB Statement No. 85, Omnibus 2017](#), addressing issues identified during the implementation and application of certain GASB pronouncements, such as timing the measurement of pension and other post-employment benefits liabilities and the related expenditures recognized in financial statements prepared using the current financial resources measurement focus.

Report on Multiemployer “Composite Plans”

The Congressional Research Service released [Proposed Multiemployer Composite Plans: Background and Analysis](#), which summarizes a legislative discussion draft released in September by Rep. John Kline (R-MN). The report explains the main features of these composite plans and explores various policy discussions surrounding them, including their potential benefits and drawbacks for employers and employees, their possible implications for the PBGC, and their potential effects on the broader retirement system.

Census Reports Data on Public Pensions

The U.S. Census Bureau’s [Summary of the Quarterly Survey of Public Pensions for 2016: Q4](#) found flat asset growth in the fourth quarter of 2016. For the 100 largest public-employee pension systems in the country, assets (cash and investments) totaled \$3,396.7 billion, increasing by 0.4% from the 2016 third-quarter level of \$3,383.8 billion. Compared with the same quarter in 2015, assets for these public pension systems increased 4.2%, from \$3,260.5 billion, continuing the year-to-year growth trend that started in the third quarter of 2016.

In other legislative activity:

- The Senate on March 30 voted 50-49 to approve a House-passed resolution (H.J.Res.67) disapproving the Labor Department’s rule aimed at encouraging states’ political subdivisions (e.g., cities and municipalities) to set up automatic retirement savings plans (individual retirement accounts) for private-sector nongovernmental workers without running afoul of ERISA. The President is expected to sign it. A separate resolution (H.J.Res.66) covering state-run plans cleared the House and remains pending in the Senate.
- The House on March 22 voted 236-175 to approve the “Small Business Health Fairness Act” (H.R.1101), which would allow groups of small businesses to band together to offer health insurance (“association health plans”) to their employees under ERISA.
- The House Education and the Workforce Committee approved for floor action the “Self-Insurance Protection Act” (H.R.1304), which would prohibit the federal government from regulating stop-loss insurance (which many self-insured health plan sponsors purchase to cover high-cost claims) as traditional health insurance.
- The House Financial Services Committee approved for floor action the “Encouraging Employee Ownership Act” (H.R.1343), which would increase the threshold – from \$5 million to \$10 million in securities – that privately held companies can sell as part of an employee compensatory benefit plan without having to provide certain Securities and Exchange Commission-disclosures to employees.
- The House Judiciary Committee approved for floor action the “Mobile Workforce State Income Tax Simplification Act” (H.R.1393), which limits the ability of states to tax the compensation of employees who do not reside in the state.

Regulatory Roundup

From the Department of Treasury/IRS:

- [Revenue Procedure 2017-28](#), providing employer guidance on the employee consent requirements for a credit or refund claim of overpaid taxes under the Federal Insurance Contributions Act and the Railroad Retirement Tax Act.
- A [memorandum](#) for examiners on 403(b) plan safe-harbor hardship distributions.
- [2016 Data Book](#), which includes charts on determination letters issued on employee benefit plans in fiscal year 2016.
- A [web update](#) on the general notice requirements for automatic contribution arrangements in 401(k) plans that are neither a qualified automatic contribution arrangement (QACA) nor an eligible automatic contribution arrangement (EACA).
- A [web update](#) on how to avoid overpaying for voluntary correction program submissions.

From the Department of Labor:

- [Proposed rule](#) to extend – from Apr. 10 to June 9, 2017 – the applicability date of the fiduciary/conflict-of-interest final rule and related exemptions, to allow for a re-evaluation of the rule’s effect on retirement savers; along with [Field Assistance Bulletin 2017-01](#), which provides a temporary nonenforcement policy during that period.
- [Annual Report to Congress on Self-Insured Group Health Plans, 2017](#), along with Appendix A, [Group Health Plans Report: Abstract of 2014 Form 5500 Annual Reports Reflecting Statistical Year Filings](#), and Appendix B, [Self-Insured Health Benefit Plans 2017: Based on Filings through Statistical Year 2014](#).

From the Pension Benefit Guaranty Corporation:

- First installment of the [2015 Data Book](#), with updated figures for both the summary and claims tables, as well as an updated [Multiemployer Graphical Supplement](#).

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