

Monthly Benefit News & Developments

MILLIMAN RETIREE HEALTH COST ESTIMATES FOR 2019

A healthy 65-year-old couple retiring in 2019 is projected to spend \$369,000 in today's dollars (\$551,000 in future dollars) on healthcare over their lifetime, according to Milliman's retiree health cost estimates. The annual report notes that expenses for this couple at age 85 are expected to be 250% higher than at age 65.

The *white paper* also finds that:

- A healthy 45-year-old couple who retires at age 65 is projected to pay \$532,000 in 2019 dollars and \$1.4 million over their retirement years for healthcare.
- The estimated 2019 annual premium plus out-of-pocket cost for a health 65-year-old is \$5,000.
- A healthy 67-year-old couple is projected to spend 39% of their pre-tax Social Security benefit on healthcare in 2019.

UPCOMING KEY DATES

8/16/19 – Mandatory electronic filing with the DoL begins for "top hat" retirement plans offered exclusively to a select group of management or highly compensated employees.

9/30/19 – Court-ordered deadline for submission of EEO-1 Employer Information Report survey (Component 2) for 2017, providing data on wages and hours worked categorized by employees' race/ethnicity, gender, and job category.

11/22/19 – Delayed effective date of DHHS "conscience protections" rule for healthcare workers.

12/31/19 – Expiration of the tax credit for qualifying health insurance costs purchased by eligible individuals, including Trade Adjustment Assistance recipients, PBGC pension recipients, and workers with certain COBRA coverage.

12/31/19 – Sunset date of the temporary freeze of the modified adjust gross incomes threshold (\$170,000 joint/\$85,000 others) for Medicare Part B premiums.

12/31/19 – Expiration of Work Opportunity tax credit.

Legislative Activity on the Benefits Front

Following House and Senate approval by voice vote, the President signed the "Taxpayer First Act" (H.R.3151, P.L. 116-25), which is aimed at revamping parts of the IRS and lay the groundwork for additional organizational reforms at the agency. The new law includes a few provisions with electronic filing and penalty implications for employers:

- By 2023, preparing and filing of Forms 1099 – reporting and filing of income other than salary, wages, and tips – will be done via a new online service.
- More tax filings will be done electronically, as the law lowers the threshold triggering such filings for tax and information returns (including the W-2, Wage and Tax Statement) beginning with the 2021 forms. Tax-exempt organizations, as well as those required to file returns for unrelated business income ("UBIT"), also will be required to file online.
- Penalties for failing to file a tax return will increase, from the current \$205, to the lesser of \$330 (to be inflation adjusted) or 100% of the amount required to be shown on the return, applicable to returns required to be filed after 2019.

Meanwhile, the House cleared an appropriations bill (H.R.2740) to fund four departments, including Labor (DoL) and Health and Human Services (DHHS), for the fiscal year that begins in October. The bill, which the White House opposes, includes several policy items, such as expressing "deep concern" over the DoL's final rule (currently being reviewed by the courts) on association health plans and the proposed rules on overtime pay and the definition of a "joint employer." The bill also would block the DHHS final rule that allows healthcare providers to deny services based on their religious beliefs or moral convictions, and would require outreach and education activities related to the health insurance exchanges.

COMMITTEE ACTION ON OTHER BILLS

Other bills advancing through House or Senate committees include:

- The "Taxpayer Certainty and Disaster Tax Relief Act" (H.R.3301), which would extend certain tax provisions that expired in 2017 and 2018 or that will expire at the end of 2019. The bill, which also includes disaster relief tax items, would affect: payroll administration, tax credits applicable to hiring, health insurance costs, and leave benefits; and rules relating to participants' access to retirement funds during declared disasters.
- The "Economic Mobility Act" (H.R.3300), which would increase the exclusion for employer-provided dependent care assistance and correct the 2017 tax law's UBIT treatment on income (e.g., free parking and public transportation subsidies) for employees of tax-exempt organizations.
- The "Rehabilitation for Multiemployer Pensions Act" (H.R.397), designed to help underfunded plans, still requires another House committee's approval.
- The "Lower Health Care Costs Act" (S.1895), which would limit "surprise" medical costs by ending "balance billing," where healthcare providers charge for services or items that insurers will not cover, or a patient receives care from an out-of-network provider at an otherwise in-network facility.

PUBLIC PENSION ASSETS

The U.S. Census released [Summary of the Quarterly Survey of Public Pensions for 2019: Q1](#), which found that for the 100 largest public-sector employee pension systems in the country, assets (cash and investments) totaled \$3,858.2 billion in the first quarter of 2019, increasing by 6.2% from the 2018 fourth quarter level of \$3,634.5 billion. Compared to the same quarter in 2018, assets for these major public-pension systems increased 1.8% from \$3,791.9 billion. The main driver of the increase in assets is gains on investments, which totaled \$230.9 billion during the first quarter of 2019.

ACCOUNTING FOR 457 PLANS

The Governmental Accounting Standards Board (GASB) proposed new accounting and financial reporting guidance on tax code section 457 deferred compensation plans. The Exposure Draft, [Internal Revenue Code Section 457 Deferred Compensation Plans that Meet the Definition of a Pension Plan and Supersession of GASB Statement 32](#), proposes that if a Section 457 plan meets the definition of a pension plan in GASB guidance, the appropriate GASB pension standards should be applied to the financial reporting for that plan and for the benefits provided through the plan. GASB's existing guidance explicitly excludes Section 457 plans from the pension standards.

DATA ON AGING

[Population Estimates Show Aging across Race Groups Differs](#) from the Census finds that the nation as a whole continues to grow older, with the median age increasing to 38.2 years in 2018, up from 37.2 years in 2010. The share of the population age 65 and older was 16.0% in 2018, growing by 3.2% from 2017. This age group has increased 30.2% since 2010. In contrast, during the same period, the under-18 population decreased by 1.1%. The report also provides data on aging by race/ethnicity and by state/county.

FEDERAL BUDGET, FY2018

The Congressional Budget Office released an interactive graphic showing the overall federal budget in fiscal year 2018, as part of the agency's annual update of infographics on the federal budget. [Mandatory Spending in 2018](#) discusses the amount spent by the federal government on Social Security and Medicare. Other related interactive sections available cover: [The Federal Budget in 2018](#); [Discretionary Spending in 2018](#); and [Revenues in 2018](#).

Regulatory Roundup

FROM THE WHITE HOUSE:

- [Executive Order on Improving Price and Quality Transparency in American Healthcare to Put Patients First](#), which among other things directs the IRS to issue guidance allowing high-deductible health plans/health savings accounts to cover certain nonpreventive medical care (e.g., for chronic conditions) before an individual reaches the plan's deductible, and to permit more unspent dollars in a health flexible savings account to be rolled over to the following year.

JOINTLY FROM TREASURY, LABOR, AND HEALTH & HUMAN SERVICES:

- A [final rule](#), creating employer-sponsored "individual coverage health reimbursement arrangements" (HRAs) that allow employees to purchase individual health insurance on the exchanges and permitting "excepted benefit HRAs" to cover copays, deductibles, and other expenses not covered by the group health plan, along with a [fact sheet](#), [model notice](#), and [model attestation](#).

DEPARTMENT OF TREASURY/IRS:

- A [proposed rule](#) on the tax exception for qualified foreign pension funds' gain/loss attributable to certain interests in U.S. real property.
- [2018-2019 Priority Guidance Plan](#) for the third quarter.
- A special [early draft of Publication 15-T](#), containing the 2020 tax withholding tables to be used with Form W-4.
- A [draft copy of 2019 Form 1095-A](#), Health Insurance Marketplace Statement.

FROM THE DEPARTMENT OF LABOR:

- A [final rule](#) on electronic filing of notices for apprenticeship and training programs and statements for 'Top Hat' plans.
- A new [poster](#) and [fact sheet](#) for federal contractors and subcontractors to use to notify workers about their rights under the National Labor Relations Act.
- Updated [Model Summary Annual Report for Pension Plans](#) and [Model Summary Annual Report Notice – Independent Qualified Public Accountant Audit Waiver](#).

FROM THE PENSION BENEFIT GUARANTY CORPORATION:

- A [proposed rule](#) to make miscellaneous technical corrections, clarifications, and improvements to its regulations on Reportable Events and Certain Other Notification Requirements, Annual Financial and Actuarial Information Reporting, Termination of Single-Employer Plans, and Premium Rates.

FROM THE DEPARTMENT OF HEALTH AND HUMAN SERVICES:

- [Frequently asked questions](#) clarifying how the Health Insurance Portability and Accountability Act (HIPAA) privacy rule permits health plans to share protected health information (PHI) in promoting coordinated care.

FROM THE SECURITIES AND EXCHANGE COMMISSION:

- Final regulations and interpretations on "investment advice": [Regulation Best Interest](#); [Form CRS Relationship Summary](#); [Interpretation: Standard of Conduct for Investment Advisers](#); and [Interpretation: Broker-Dealer Exclusion](#).

High Court on Exhaustion of Administrative Remedies

The U.S. Supreme Court unanimously ruled that an employer facing an employment discrimination suit must timely raise an objection about a worker's failure to file a bias claim with the Equal Employment Opportunity Commission or similar state agency before going to court ([Fort Bend County v. Davis](#) (No. 18-525, 6/3/19)). In so ruling, the Court limits a procedural defense employers have used to have cases dismissed on procedural grounds based on a worker's failure to exhaust his or her claim with an appropriate agency. The Court's decision maintains a worker's obligation to file administrative claims before going to court.

Other Recent Milliman Publications You May Be Interested in:

- ***Pension Funding Index, June 2019***
- ***Case study: Large client data audit*** Milliman provides recordkeeping services for the defined contribution retirement plans of a multi-discipline healthcare system.
- ***Summary of key results from 2018 U.S. Group Disability Market Survey*** The 2018 U.S. Group Disability Market Survey covers employer-paid and employee-paid short-term disability and long-term disability insurance products, and includes an analysis of premiums, cases, and covered lives from new sales and in-force business in 2017 and 2018.



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.

milliman.com

For more information, please contact your Milliman consultant.