Benefits Buzz

Benefits and HR tips brought to you by
Reliance Insurance Group

DID YOU KNOW

On Jan. 15, 2014, a federal district court rejected a challenge to Affordable Care Act (ACA) subsidies in the case Halbig v. Sebelius. The lawsuit challenged the ability of the federal government to provide tax credits under the ACA to individuals in states that did not establish their own Exchanges (that is, in states with federally facilitated Exchanges, or FFEs).

The court ruled that the subsidies can be provided to individuals in states with FFEs. Therefore, federal subsidies are still available to eligible individuals in all states, although other lawsuits are still pending regarding this issue.

Final Employer Shared Responsibility Rules Issued

On Feb. 10, 2014, final regulations implementing the employer shared responsibility provisions of the Affordable Care Act (ACA) were released. The ACA imposes a penalty on large employers with 50 or more full-time employees that do not offer coverage to full-time employees and their dependents, or to employers that offer coverage that is unaffordable or does not provide minimum value.

The final rules will delay implementation of these penalties for medium-sized employers that are covered by the employer mandate.

The employer shared responsibility provisions will generally apply to employers that have 100 or more full-time employees starting in 2015 and employers that have 50 to 99 full-time employees starting in 2016. The employer must provide an appropriate certification to qualify for this delay.

The penalty amount for failing to offer coverage has been changed for 2015. Employers with 100 or more full-time employees will reduce their full-time employee count by 80 (rather than 30) when calculating the penalty for 2015 (and months of the 2015 plan year in 2016).

The final regulations have also extended certain 2014 transition relief measures, including the ability for employers with plan years that do not start on Jan. 1 to begin compliance at the start of their 2015 plan year rather than on Jan. 1, 2015, if specific conditions are satisfied.

The requirement to offer coverage to at least 95 percent of full-time employees to avoid the heaviest penalties is being phased in over two years. Employers subject to the rules in 2015 must offer coverage to 70 percent of full-time employees in 2015 and 95 percent of full-time employees in 2016 and beyond.

MyRA to Offer New Savings Option

On Jan. 29, 2014, President Obama signed an executive order instructing the U.S. Treasury to create a retirement savings alternative for employees who are not offered a 401(k) plan through their employers. “MyRA” (derived from “My Retirement Account”) will invest in government savings bonds and be backed by the U.S. government.

MyRAs will be subject to the same tax guidelines as Roth individual retirement accounts (IRAs), with employees paying taxes when contributing to the account and receiving retirement distributions tax-free. The myRA will be portable and may be rolled into a Roth IRA at any time.

The Treasury Department will manage these accounts. Employers will facilitate payroll deferrals for the myRA but will not be required to contribute to the accounts. MyRAs will begin with a pilot program offered to employees whose employers voluntarily join by the end of 2014.