UNIVERSITY CONFERENCE SERVICES

November 2013 Benefits Spotlight

The IRS has actually been the source of good-or at least helpful-information recently. Really! The good news is that employees can carry over $500 in unused amounts from their 2013 FSAs to 2014. The helpful information is that the 2014 IRC 415 limits for retirement savings plans were published October 31, 2013. While plan sponsors are no doubt glad to have the 2014 limits, a survey shows that most participants don't know what the existing deferral limits are. Read on for more details about these developments and other benefits "tidbits" we thought you would appreciate.

$500 Carryover from a 2013 FSA to 2014

IRS Notice 2013-71 modifies rules for Sec. 125 cafeteria plans to allow for up to $500 in unused FSA funds to be carried over to the next year, beginning as early as 2013. Your plan must be amended to allow the carryover in lieu of the current grace period rule. Importantly, this carryover doesn't affect the maximum amount of salary reduction contribution that the participant is permitted to make (currently $2,500). The carryover provision is an alternative to the current grace period rule and affords administrative relief similar to that rule. Like all FSA funds, carryover amounts can only be used to pay or reimburse permitted medical expenses.

Groom Law has provided **commentary** on the Notice that employers may find beneficial. According to the article, the Notice contains a special rule for the 2013 plan year that permits employers to amend their cafeteria plans to adopt the carryover provision for a plan year that begins in 2013 at any time on or before the last day of the plan year that begins in 2014. For a calendar year plan, this means that an employer could amend its cafeteria plan as late as December 31, 2014, to adopt a carryover from the 2013 plan year to the 2014 plan year. Employers who amend their plans to adopt the new carryover must also amend their plans to remove the grace period. Additionally, Groom Law has identified an issue that needs clarification: How will a 2013 carryover affect eligibility for an HSA? They have discussed the issue with Treasury and IRS on an informal basis.

No Change to Retirement Plan Deferral Limits

The IRS schedule of 2014 IRC 415 limits is available **here**. The new limits for deferrals into qualified defined contribution plans have not changed. But that may not make much difference to plan participants. According to an **article** in PlanSponsor, preliminary results from the 2013 Mercer Workplace Survey indicates that the average plan participant believes the maximum amount he or she can defer is $8500 instead of the actual $17,500 published in the IRC 415 limits. The actual amounts that participants contribute are similarly low, according to the survey. Contribution levels among respondents in the age group 50-64-a group that could, with catch-up provisions, sock away as much as $23,000-average just $6,673. Admittedly, few people are in a position to defer more than $20k annually, but one would expect this age group to be saving as aggressively as possible for retirement.

Managing Target Date Fund Risk

An **article** by fund manager J. P. Morgan discusses risks faced by defined contribution participants, noting the risks are dynamic and multi-faceted. Not surprisingly, the article points to the advantages of target date funds as a means of dealing with these risks. While that may seem self-serving, the article nonetheless highlights important issues that plan sponsors should consider when selecting target date funds.

A recent webinar by Michael Falcone of 401(k) Advisors provides a broader look at how to prudently evaluate, select and monitor target date funds. You can view a recording of the presentation on our website. (There is a one-time, no-cost registration required to view the recording. The registration also gives you access to other recorded webinars on the University Conference Services website.)

The Last Word - Confirmation of What We All Suspected: Healthcare Costs and Quality Vary Significantly Across the Country

A **white paper** by HCTrends and The Benefit Services Group, Inc., looks at healthcare costs for 24 different urban areas. While the focus of the study is how the Milwaukee area stacks up against the other 23, the paper reveals the wide variation that exists across the continental United States, both in the quality and the cost of care. It's a pretty quick, interesting and enlightening read. After looking at the tables in the paper, you may decide you need to consider an urban area other than your own for treatment of a specific illness or condition! Treating that bad back, for instance, will cost the most in Dallas and the least in Pittsburgh.