



Retirement Plan Limits Announced for 2014

The IRS has announced [cost-of-living adjustments](#) affecting dollar limitations for pension plans and other retirement-related items for tax year 2014. Highlights include:

- **The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), and most 457 plans remains unchanged at \$17,500.**
 - The catch-up contribution limit for those aged 50 and over also remains unchanged at \$5,500.
- **The limit on annual contributions to an individual retirement arrangement (IRA) remains unchanged at \$5,500.**

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The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$60,000 and \$70,000, up from \$59,000 and \$69,000 in 2013.

For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$96,000 to \$116,000, up from \$95,000 to \$115,000.

For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$181,000 and \$191,000, up from \$178,000 and \$188,000.

Additional information on the adjusted and unchanged limitations is available in the IRS [cost-of-living adjustment table](#). To learn more about retirement planning, please visit our section on [Retirement Plans](#).

Is Your 401(k) Plan a Benefit or a Burden?

Offering a 401(k) Retirement Plan for your employees is a necessary benefit for attracting and retaining quality employees; however there has never been more regulatory pressure than there is today for employers to properly address fiduciary responsibilities and proper plan administration. Increased regulatory compliance and audit risk in recent years are creating significant complexity for employers with no comprehensive service options to minimize that burden until now.

We are pleased to announce that Brown & Brown of Garden City has formed a strategic partnership with Lincoln Financial Group to outsource these administrative burdens, allowing you to spend more time growing your business.

401k SAFE acts as a Third Party Administrator for your 401(k) plan to:

Reduce your fiduciary responsibility

- Ease the administrative burden
- Increase regulatory compliance
- Mitigate Department of Labor audit risk
- Slash the costs of annual internal audits

For more information, please contact Brad Fields, at 516-745-1111 x295 or at bfields@sobelins.com.



Changes to "Use-or-Lose" Rule for Health FSAs

According to new [agency guidance](#), employers may now allow employees to **carryover up to \$500 of unused amounts** in a health flexible spending arrangement (FSA) to use in the following plan year.

Use-or-Lose

The "use-or-lose" rule requires that amounts in an employee's [health FSA](#) that are not spent by the end of a plan year be forfeited. However, an employer's cafeteria plan can provide for a [grace period](#), whereby an employee is permitted to use amounts remaining from the previous year to pay expenses incurred for certain qualified benefits during the period of up to 2 1/2 months immediately following the end of the plan year.

New Guidance Details Changes

The [agency guidance](#) explains that an employer may, at its option, amend its cafeteria plan document to provide for a carryover to the immediately following plan year of **up to \$500 of any amount remaining unused as of the end of the plan year** in a health FSA. The carryover may be used to pay or reimburse medical expenses under the health FSA incurred during the entire plan year to which it is carried over.

The carryover of up to \$500 does not count against or otherwise affect the indexed \$2,500 [salary reduction limit](#) applicable to each plan year. A cafeteria plan that incorporates the carryover provision **may not also provide for a grace period** in the plan year to which unused amounts may be carried over.

An employer may adopt this carryover provision to health FSAs for the current cafeteria plan year and/or subsequent plan years by amending the plan document in the manner and within the time frames described in the [agency guidance](#).

Review our section on [Flexible Spending Arrangements](#) for more information on health FSAs.

Health Care Reform Myths vs. Facts

Myths about Health Care Reform are everywhere--and with so many changes and new rules, it can be difficult to understand what is (and is not) required. The following are some of the most common myths for employers surrounding the law.

Myth: Employers do not need to distribute the Notice of Coverage Options (Exchange Notice).

Facts: All employers covered by the [Fair Labor Standards Act](#) are required to provide this notice, which includes information about a Health Insurance Exchange, to each **new employee** at the time of hiring.



Although the U.S. Department of Labor [announced](#) that **there is no fine or penalty** under the law for failing to comply, the law still requires that employers provide the notice.

Myth: Employers that offer health insurance must provide the same coverage to all employees.

Facts: Similarly situated individuals must be treated equally. Distinctions among **groups of similarly**

situated employees [may be permitted](#) if they are based on bona-fide employment-based classifications consistent with the employer's usual business practice--for example, full- and part-time employees.

The IRS has [delayed the requirement](#) under Health Care Reform that fully insured group plans comply with rules "similar" to the rules prohibiting discrimination in favor of highly compensated individuals (currently applicable to self-insured plans).

Large employers (generally those with at least 50 full-time employees, including full-time equivalents) may be liable for a "pay or play" penalty beginning in 2015, if they do not offer affordable health insurance that provides a minimum level of coverage to **full-time employees**--those averaging at least 30 hours of service per week. Small employers who plan to use a SHOP-Exchange (Small Business Health Options Program) must offer coverage to all full-time employees.

Myth: Employers may no longer use brokers to purchase employee health insurance coverage.

Facts: Regardless of whether an employer buys coverage inside or outside of a SHOP-Exchange, the **employer can use its current agent or broker**. Health insurance brokers can help employers:

- Apply for insurance for their employees;
- Review and compare price, coverage, quality, and other important features; and
- Choose a plan that works for the employer's budget, business, and employees.

Employer premiums for SHOP-Exchange coverage will be the **same** whether or not the employer uses a broker.

Visit our [Health Care Reform](#) section to stay on top of the latest news and get the bottom line facts.

FAQs Regarding Holiday Pay and Time Off

The holiday season is just around the corner. If you have not already, now is the time to review your policy regarding time off and holiday pay. The following questions and answers can help you get started.

1. Are employers required to provide employees time off for a holiday?

Although not generally required by federal or state law, many employers choose to grant employees time off for certain holidays or to close the business altogether on those days.



Companies with 15 or more employees are subject to [federal religious discrimination laws](#) and may need to allow employees time off for religious observance. Employers should also consult their state's nondiscrimination laws to learn if there are similar requirements for time off related to religious observances for employers of fewer than 15 employees.

2. Do employers have to pay their employees if the business is closed for a holiday?

Federal law and most state laws do not require employers to pay employees if time off for holidays is granted. Whether or not employees are paid for holidays is generally a matter of company policy. Employers need to be careful when it comes to [exempt employees](#), though--as a general rule, if an exempt employee performs any work during a workweek, he or she must be paid the full salary amount.

3. What about employees scheduled to work on a holiday if the business remains open?

Extra compensation (above and beyond an employee's regular rate of pay) for work on holidays is also generally a matter of company policy, although employers must comply with any specific state law requirements regarding holiday pay. Although some companies pay employees at a special rate (such as time-and-a-half) for holiday shifts, generally an employee is only entitled to his or her regular pay, plus any overtime.

Remember that states will generally enforce an employer's written policy regarding holiday pay, so it's important to follow company policy and to apply the rules consistently and fairly to all employees. For questions about the specific requirements in your state, contact your [state labor department](#) or a knowledgeable employment law attorney.

Our section on [Leave and Time Off](#) features more information on both mandatory and voluntary leave.

Social Security Benefits to Increase in 2014

Monthly Social Security and Supplemental Security Income (SSI) benefits will **increase 1.5 percent in 2014**, the [Social Security Administration has announced](#). The 1.5 percent cost-of-living adjustment (COLA) will begin with benefits that Social Security beneficiaries receive in January 2014, while increased payments to SSI beneficiaries will begin on December 31, 2013.



Certain other changes that take effect in January of each year are based on the increase in average wages. **Based on that increase, the maximum amount of earnings subject to the Social Security tax will increase to \$117,000 from \$113,700.**

A [fact sheet](#) is available showing the effects of the various automatic adjustments. You can also review [additional information regarding how the COLA is calculated](#). To learn more about Social Security benefits, please visit our section on [Social Security](#).

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