



## Benefits Fast Facts

Insights

11.02.15

### **PACE Act: Some Positive News For Employers With 51 To 99 Employees**

For insurance market reform purposes, the Affordable Care Act (ACA) initially defined “small employers” as those with fewer than 50 employees. This definition was set to change in 2016, with the number increasing to 100. However, the Protecting Affordable Coverage for Employers (PACE) Act recently changed this. Now, each state will determine on its own whether the insurance market reform rules will apply to those employers with 51 to 99 employees.

This is significant for employers because the insurance market reform rules impose rating limitations, commonly known as community rating, upon small employers. The community rating concept limits what insurance carriers can take into account when rating employers for group health plan insurance costs.

Under community rating, employers with relatively healthy groups paid more than they did in the past to make up for high risk in the unhealthy employer groups who also happened to be in the pool. This caused a skewing in the rates toward unhealthy groups, who received better ratings than they did in the past.

This change should be welcome news for employers in the 51-to-99 employee category that are currently shopping for coverage for the 2016 plan year. While some states have already amended their rules to coincide with the anticipated change to the small group definition for 2016, we expect such states to revert back to the old rules.

It is important to note that this does not change the requirement that employers with 50 or more employees comply with the ACA’s Employer Mandate – the choice of either offering affordable and adequate coverage to full time employees, or potentially paying a penalty. Employers with more than 50 employees must still plan for and comply with this in 2016 and later years.

### **Central States Proposes Pension Cuts To Help Failing Plan**

Employers that contribute to the Central States Pension Fund know how poorly funded it is. This is no secret; in fact, the Executive Director of the Fund recently appeared before Congress and reported on its dire situation, explaining that the Fund could become unable to pay benefits within 10 years if drastic steps aren’t taken.

After decades of tagging employers that exit the Fund with fees known as withdrawal liability, the Fund has finally proposed benefit cuts to retirees to help shore-up its financial situation. Central States has become the first major pension fund to apply for benefit cuts under the Multiemployer Pension Reform Act of 2014.

In a recent filing with the U.S. Department of Treasury, Central States asked for approval of a rescue plan which it hopes would allow it to continue to provide benefits in future years. The benefit cuts vary in application based upon the age of the pension recipient. The Fund will also reduce the accrual rate for current pension contributions from 1% to 0.75%.

For employers that have considered withdrawing from the Fund, this will have no impact on withdrawal liability for 10 years. After that, the numbers could go down, but only if the projections prove themselves out.

Employers that currently or have previously contributed to Central States will likely receive questions from employees who learn about this development from stories in the media. We recommend that you direct employees to a special website set up by the Fund to answer their questions: <http://www.cspensionrescue.com>

### **Form 5500 Deadline Changes For 2016**

The IRS announced changes to the 2016 deadline for Form 5500. While the standard deadline will remain as July 31, 2016 for calendar year plans, the deadline for extenders changes. Employers that complete a request for an extension will now have additional time, until November 15, 2016, to complete the Form 5500.

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