NIXON BENEFITS

Industry Notes, May 2017

- **Secrets for Steadier Workouts**

People who exercise regularly tend to share some common approaches to fitness. Adopting some of them can help you better adhere to your workout.

- ✓ They work out at the same time most days.
- ✓ They have a pre-exercise routine with visual cues, such as laying out workout clothes before you go to bed so you see them 1st thing in the morning.
- ✓ They are more flexible about how long or hard they exercise. If the normal workout is interrupted, they may run for 10 minutes if that's all the time they have.
- ✓ They're more likely to exercise for pleasure than for weight loss or other health goals.

WSJ 5/20/2017

- **What You Should Know Before You Name an HSA Beneficiary**

Anyone with an HSA should give thought to what will happen to the account after death. Planning is important to minimize the tax bite.

After your death, funds remaining in your HSA are payable to the beneficiary named on the account. You are not required to name a spouse or an individual who is eligible to make HSA contributions.

If you name your spouse as your HSA beneficiary, at your death the HSA will become your spouse's own HSA. They can maintain the HSA in their name and can continue to access the funds. Distributions for qualified medical expenses will be income tax free. Your spouse does not need to have HSA-eligible health insurance to continue to hold the HSA. If they do and they are eligible, they may make contributions to the HSA.

You may name a non-spouse beneficiary, such as your children. However, be aware the account value of the HSA account becomes taxable to the non-spouse beneficiary in the year of your death. That means the entire account will be taxable in one year. This could be a significant tax hit! The amount taxable to the beneficiary will be reduced by any qualified medical expenses for the deceased that are paid within one year of the date of death.

Ed Slott and Company IRA Specialists 3/27/2017

- **Can a Qualified Transportation Plan Reimburse Employees' Expenses for Carpooling With Their Own Vehicles?**

Some employees have organized carpools to commute to work. Could a transportation plan reimburse employees for all or a portion of their commuting costs as a vanpooling benefit? All of the carpools use employee-owned vehicles, and some of those vehicles are large minivans and SUVs.

ANSWER: Because of the seating capacity and mileage-use requirements, most family vehicles used for carpooling cannot qualify as commuter highway vehicles and thus do not qualify for vanpooling benefits. For purposes of the qualified transportation fringe benefit rules, "vanpooling" means transportation between the employee's residence and place of employment in a commuter highway vehicle. A "commuter highway vehicle" must have a passenger seating capacity of 6 or more adults (excluding the driver), and at least 80% of the vehicle's annual mileage must be used for vanpooling. Commuting miles count toward the 80% only if the number of employees transported to or from work is at least half of the vehicle's seating capacity (excluding the driver). For example, miles driven on a commuting trip by a vehicle that holds a driver and 6 passengers will only count toward the 80% requirement if at least 3 employees in addition to the driver are using the vehicle to get to work or to go home. These usage rules are sometimes referred to as the "80/50 rule."

Employers may provide high-seating capacity vehicles that must be used exclusively for vanpooling, thus making it more likely the commuter highway vehicle requirements will be met. Alternatively, vanpooling benefits can be used to pay for private or public transit-operated vanpools, which are not subject to the 80/50 rule. (A private or public transit-operated vanpool is one owned and operated by public transit authorities or by any person in the business of transporting persons for hire.)

EBIA May 18, 2017

- **2018 Limits Announced**

HSA Contributions	2017	2018
Self Only/Family	$3,400 / $6,750	$3,450/ $6,900

Out-of-Pocket Limits*	2017	2018
Maximum Out of Pocket HDHP (self/family)	$6,550 / $13,100	$6,650/ $13,300
ACA plans (non HDHP self/family)	$7,150 / $14,300	$7,350/ $14,700

* There are 2 sets of maximum out-of-pocket limits. There is a limit set by the IRS and there is a limit set by ACA. If the health plan is a qualified HDHP, then the IRS limit applies. For all other health pans, the ACA limit applies.

- **Employers Must Disclose Group Life Conversion**

Failing to disclose an employee's insurance coverage rights can be very expensive. A federal court recently ordered an employer to pay $750,000 to a former employee's widow for breaching its fiduciary duty in administering its group life insurance plan.

The suit was brought forward when the insurer denied the plaintiff's claim for life insurance benefits because her husband failed to convert the policy to an individual policy.

The judge found that although the plaintiff was not entitled to benefits under the terms of the life insurance plan, she was entitled to that amount due to the employer's material misrepresentation of when coverage ended and conversion under the policy. The employer had not adequately explained conversion rights to its employee before his coverage ended. While the employer argued it had provided notice to the employee both (a) through its Summary Plan Description, located on its company intranet; and (b) in the letter it sent informing the employee to contact human resources regarding conversion, the judge was unconvinced.

Employers offering group life insurance plans that have conversion options should learn several lessons from this case. First, employers must understand when an employee's coverage ends and when the conversion period begins. Second, employers must follow their own policies regarding notice of conversion. In this case, the employer's manual specifically stated that the employer was responsible for providing conversion notices to participants when their coverage terminated. The court considered the fact that the employer did not follow its own written procedures in determining it had breached its duty to the plaintiff.

Employee Benefit News 5/22/2017

- **More Good News About Exercise**

A recent study confirms that physical activity is associated with a reduced risk of developing Alzheimer's disease and can also improve the performance of daily activities for people already diagnosed with Alzheimer's. "After evaluating all the research available, our panel agrees that physical activity is a practical, economical and accessible intervention for both the prevention and management of Alzheimer's and other dementias."

United Press International 5/16/17

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