ERISA ROUNDUP

A quarterly recap of recent publications from BDO's ERISA Center of Excellence.

Q4 2019

A NOTE FROM BDO'S NATIONAL ERISA PRACTICE LEADER

Welcome to a new year and a new decade!

As we head into 2020, plan sponsors are thinking about how to offer benefits that resonate with a multi-generational workforce and remain competitive in an evolving marketplace—while staying within the organization's budget. Through BDO's ERISA Center of Excellence and this publication, we discuss trends impacting the industry and regulations to keep top of mind.

The start of a new year is an optimal time to take a moment and check in on your total benefits offerings. The recent passing of the SECURE Act has provided plan sponsors and participants the opportunity for further enhancements toward saving for retirement. Early in the new year, we'll explore the passage of the SECURE Act and what this means for plan sponsors.

For more insights and tools, please consider following along with us online at www.bdo.com/erisa until our next issue in April.

Sincerely,

BETH GARNER
National Practice Leader, ERISA

BDO's ERISA Center of Excellence is your source for insights on emerging regulations, industry trends, current topics, and more. Visit us at www.bdo.com/erisa or follow along on Twitter: @BDO_USA and #BDOERISA.

IN THIS ISSUE

www.bdo.com/erisa

2020 Deadlines and Important Dates for Plan Sponsors

Sponsors of defined benefit and defined contribution plans should keep the following deadlines and other important dates in mind as they work toward ensuring compliance for their plans in 2020. All plans are different, so some deadlines may not apply or may have dates shifted based on your organization's fiscal year. For additional support, please contact your BDO representative.

JANUARY

- **13** / File Form 5500 Schedule SB Posting for single-employer defined benefit plans by Jan. 13.
- **14** / File Form 5500 Schedule SB Posting for multi-employer defined benefit plans by Jan. 14.
- **15** / Census data due Jan. 15. Plan sponsor confirms the accuracy of the prior year's census data to the recordkeeper. This information is used for ADP/ACP testing.
- **15** / File PBGC Form 200 by Jan. 27, Notice of Failure to Make Required Contributions, if plan sponsor of a single-employer defined benefit plan does not make the Jan. 15 required contribution, causing the plan to have more than $1 million in unpaid contributions.
- **30** / Single-employer defined benefit plans that are less than 60 percent funded must inform participants by Jan. 30 or 30 days after the benefit restriction is determined.
- **31** / Distribute 2019 IRS Form 1099-R to participants by Jan. 31 for distributions paid during 2019.
- **31** / 2019 Form 945 must be filed with the IRS by Jan. 31.
- **31** / File 2019 IRS Form 1096 and 2019 IRS Forms 1099-R with IRS (paper transmittal) by Jan. 31 for 2019 tax year.

FEBRUARY

- **14** / File PBGC Form 10 by Feb. 14, Post-Event Notice of Reportable Events for single-employer defined benefit plans.
- **17** / Review and approve compliance testing results sent by plan administrator by Feb. 17.
- **28** / Employers choosing to file paper 2019 IRS Form 1094-C and 2019 IRS Forms 1095-C with the IRS must do so by Feb. 28, to prove compliance with the Employer Shared.
- **28** / Responsibility Mandate of the Affordable Care Act (ACA)Action: Recordkeeper, Employer or other responsible party files 2019 IRS Form 1096 and 2019 IRS Forms 1099-R with IRS (electronic transmittal) by Feb. 28 for 2019 tax year.

MARCH

- **2** / File PBGC form 1-ES, the estimated premium payment for plans with 500 or more participants, by March 2.
- **2** / Multiple employer welfare arrangement (MEWA) plans must file the annual Form M-1 by March 2.
- **2** / Distribute 2019 Form 1095-C to employees by March 2, to give information on health care coverage for 2019. (IRS extended this date from Jan. 31.)
- **15** / Highly compensated employees who fail ADP/ACP test for prior plan year must have refunds processed by March 15.
- **15** / Partnerships and S Corporations that are not getting an extension must fund employer contributions by March 15 and receive tax deduction for the prior year.
- **30** / Plans with publicly traded employer stock that follow Article 6A of the Regulation S-X (SEC format) must file Form 11-K with the Securities and Exchange Commission by March 30.
- **31** / Tax-qualified 403(b) plans must adopt plan documents that comply with 403(b) requirements by March 31. This ends the IRS remedial amendment period.
- **31** / Employers choosing to file electronic 2019 Form 1094-C and Forms 1095-C must do so by March 31, to prove compliance with the Employer Shared Responsibility Mandate of the Affordable Care Act (ACA)

APRIL

- **1** / Hire auditor (if needed) by April 1.
- **1** / April 1 Deadline for 5 percent business owners and terminated participants who turned 70 ½ in the prior year to receive their required minimum distribution (RMD). *Note: With the passage of the SECURE Act, those who turn 70.5 in 2020 can wait until they turn 72 to start RMDs.
- **15** / Corporations and sole proprietors that are not getting an extension must fund employer contributions by April 15 and receive tax deduction for the prior year.
- **15** / IRA contributions for the prior tax year must be funded by April 15.
- **15** / Participants who contributed over 402(g) or 415 limits in the previous year must be refunded the excess amount by April 15.
- **15** / File PBGC Form 4010 by April 15, Notice of Underfunding for single-employer defined benefit plans.
- **15** / File PBGC Form 200 by April 27, if plan sponsor of a single-employer defined benefit plan does not make the April 15 required contribution, causing the plan to have more than $1 million in unpaid contributions.
- **30** / Send annual funding notice to participants of single- and multi-employer defined benefit plans with more than 100 participants by April 30.

MAY

- **15** / File PBGC Form 10 by May 15, Post-Event Notice of Reportable Events for single-employer defined benefit plans.
- **15** / Defined contribution plans must send fee and benefit information to participants by May 15.

JUNE

- **29** / Plans with publicly traded employer stock that use an ERISA format must file Form 11-K with the Securities and Exchange Commission by June 29.

JULY

- **14** / Plans with publicly traded employer stock that use an ERISA format and requested a 15-day calendar extension (Form 12b-25) for the Form 11-K must file the Form 11-k with the Securities and Exchange Commission by July 14.
- **15** / File PBGC Form 200 by July 27, if plan sponsor of a single-employer defined benefit plan does not make the July 15 required contribution, causing the plan to have more than $1 million in unpaid contributions.
- **31** / Large plan audit must be completed by July 31 to avoid requesting Form 5500 extension.
- **31** / 2019 Form 5500 must be filed by July 31.
- **31** / To request a 2019 Form 5500 extension, IRS Form 5558 must be submitted by July 31.
- **31** / File IRS Form 720 and pay Patient-Centered Outcomes Research Institute (PCORI) fee by July 31. Self-insured health plans must pay a fee per person (covered by health plan).

AUGUST

- **14** / File PBGC Form 10 by Aug. 14, Post-Event Notice of Reportable Events for single-employer defined benefit plans.
- **31** / Plans that failed compliance testing may take this mid-year opportunity to run compliance tests. Aug. 31

SEPTEMBER

- **15** / If an extension was filed, Sept. 15 is the deadline to fund employer contributions.
- Minimum funding deadline for single- and multi-employer defined benefit plans.
- **25** / File PBGC Form 200 by Sept. 25, if plan sponsor of a single-employer defined benefit plan does not make the Sept. 15 required contribution, causing the plan to have more than $1 million in unpaid contributions.
- **30** / Sept. 30, Summary Annual Report sent to participants with Dec. 31 plan year end (if 2019 Form 5500 was filed July 31).

OCTOBER

- **1** / Make sure procedures align with language in plan document. Oct 1.
- **1** / Annual notices to participants begin Oct. 1, including 401(k) Plan Safe Harbor Notice, automatic contribution arrangement safe harbor and qualified default investment alternative.
- **15** / File PBGC Form 10 by Oct. 15, Post-Event Notice of Reportable Events for single-employer defined benefit plans.
- **15** / Oct. 15 is the extended deadline for filing 2019 Form 5500.
- **15** / Oct. 15 is the extended deadline for filing individual and C-Corp tax returns.
- **15** / Oct. 15, single- and multi-employer defined benefit plans file PBGC Comprehensive Premium document and pay $29 per participant flat-rate premium.
- **15** / Oct. 15 to open a Simplified Employee Pension (SEP) plan for extended tax filers.
- **26** / File PBGC Form 200 by Oct. 26, if plan sponsor of a single-employer defined benefit plan does not make the Oct. 15 required contribution, causing the plan to have more than $1 million in unpaid contributions.

NOVEMBER

- **16** / File PBGC Form 10 by Nov. 16, Post-Event Notice of Reportable Events for single-employer defined benefit plans.

DECEMBER

- **1** / Annual Participant notices must be distributed by Dec. 1. These include: 401(k) safe harbor, annual automatic contribution and qualified default investment alternative (QDIA) notices.
- **15** / Dec. 15 is the extended deadline to distribute Summary Annual Report (SAR) for calendar year plans.
- **31** / By Dec. 31, process corrective distributions for failed ADP/ACP testing; a 10 percent excise tax may apply.
- **31** / Amendments to change traditional 401(k) to safe harbor design, remove safe harbor feature or change certain discretionary modifications must be adopted by Dec. 31.
- **31** / Required minimum distributions for participants age 70 ½ must be completed by Dec. 31 for calendar plan years.*Note: With the passage of the SECURE Act, those who turn 70.5 in 2020 can wait until they turn 72 to start RMDs.
- **31** / Plan sponsors must amend plan documents by Dec. 31 to account for any discretionary changes made during the 2020 year.

CONTRIBUTION PLAN LIMITS AND OTHER ROLLING NOTICES FOR 2020

In addition to those important deadlines and dates, plan sponsors should be aware of the contribution plan limits and other rolling notices for 2020:

- Employee salary deferral limits for 401(k), 403(b) and 457 plans will be $19,500. Age 50 catch-up contribution limit increases to $6,500.
- Health Savings Account contribution limit is $3,550 (single) and $7,100 (family). Age 55 catch-up contribution stays at $1,000.
- Traditional and Roth Individual Retirement Account contribution limit will be $6,500. catch-up contributions for participants age 50 and over is $1,000.
- Limitation for the annual benefit under a defined benefit plan under Section 415(b)(1)(A) will be $230,000.
- The dollar amount used to define "highly compensated employee" under Section 414(q)(1)(B) will be $130,000.
- Newly eligible employees must receive a Summary Plan Description (SPD) within 90 days.
- Provide quarterly statements and fee information to participants.

2020 Outlook: Trends Shaping The Employee Benefits Landscape

Employee benefits have become a strategic priority for organizations. With unemployment at historic lows and as more workers choose to become part of the gig economy, employers are struggling to find and keep top talent. As the war for talent intensifies, organizations of all sizes are realizing that their employee benefit options can be a strategic advantage—or disadvantage.

As we head into 2020, plan sponsors are thinking about how to offer benefits that resonate with a multi-generational workforce and remain competitive in an evolving marketplace—while staying within the organization's budget. Here, we review some of the most important trends that are shaping the employee benefits landscape in 2020.

WELL-BEING: TAKE A NEW LOOK AT ADDRESSING MORE THAN JUST RETIREMENT

For the past several years, many employers have sought to offer benefits that look at the overall well-being of employees, including their health, financial and emotional needs. While most employers consider well-being a high priority, getting employees to actually take advantage of these nontraditional offerings remains a serious challenge. One reason may be that well-being programs offer benefits that employees either don't understand or don't view as being valuable. Plan sponsors that are seeking to improve their employees' overall well-being in 2020 should start by analyzing data about how employees are using—or underusing—existing benefits to better understand where there are opportunities for improvement. In addition, employers should have conversations with employees and conduct surveys to determine their needs and the best way to address them in a more holistic manner.

STUDENT LOAN REPAYMENT AND EMERGENCY SAVINGS PLANS BECOME MORE COMMON

In recent years a host of new benefits have become more commonplace in benefits lineups. The list of increasingly common, nontraditional benefits includes flexible work, paid paternity leave, financial advice, budgeting tools and most importantly, student loan repayment assistance programs. With $1.5 trillion in outstanding student loans (according to data from the Federal Reserve Bank of New York), education debt ranks second behind mortgages in terms of the most common form of consumer debt. More employers are realizing that the stress related to student loan debt is affecting employee productivity and are looking to address this by offering repayment programs. Another tool employers are using to help employees build a stronger financial foundation is automated emergency savings plans. Employees are offering these plans to help employees build short-term savings so they don't dip into their retirement accounts for fast cash. Look for service providers to promote these plans more prominently in 2020.

MOBILE TECHNOLOGY TO IMPROVE EMPLOYEE ENGAGEMENT

Service providers and plan sponsors continue to find better ways to engage employees about their benefits, and mobile apps are moving from nice-to-have to need-to-have offerings as we head into 2020. Employees want access to benefit information whenever they need it, not just when they are sitting at a computer. In addition, apps and other interactive tools are making it easier for employees to consume information and make decisions about their benefits offerings. Many service providers now offer tools such as savings calculators and healthcare consumption projections that allow employees to see how their decisions affect outcomes over time.

CYBERSECURITY REMAINS A PRIMARY CONCERN

Retirement accounts contain loads of personal information and nearly $30 trillion in assets. This makes them an enormous target for hackers and other cybercriminals who are becoming increasingly sophisticated. Now more than ever, plan sponsors need to be proactive in addressing cybersecurity. In addition to having cyber as a central element of the plan's overall risk management policy, plan sponsors need to think through process considerations for cybersecurity—including designating who is responsible for designing, documenting, implementing and maintaining the strategy.

PREPARING FOR GEN Z AND MULTI-GENERATIONAL WORKFORCES

With the oldest being 24 years of age, Gen Z is starting to graduate college and enter the workforce—adding yet another level to the multi-generational workforces that employers must manage. A recent MetLife survey showed that more than half of Gen Z'ers are stressed about finances, highlighting the need for employers to educate these young professionals and help them learn about financial management. To do so, employers should consider delivering benefits information in formats that resonate with digital natives, including mobile apps, video and social media. But employers need to realize that not all employees want to consume information the same way; older workers may be more comfortable getting information through more traditional formats. Delivering information in multiple formats and channels is becoming increasingly important.

CORPORATE PENSION BUYOUTS ACCELERATE—ALONG WITH PBGC PREMIUM INCREASES

U.S. corporate pension plan buyout sales equaled $7.7 billion in the third quarter of 2019, up 23 percent from the same timeframe last year, according to the Secure Retirement Institute (SRI). Forty percent of plan sponsors told SRI that they were interested in a pension plan buyout in 2020, so the trend is poised to continue. Pension Benefit Guaranty Corp. (PBGC) premium increases are a main driver of this trend. Plan sponsors considering a buyout, however, need to be wary of the assumptions used to calculate benefits, because several plan participants have filed class-action lawsuits claiming they were shortchanged when plan sponsors used outdated actuarial assumptions to calculate annuities.

BDO INSIGHT: DON'T SIMPLY CHECK THE BOX IN 2020

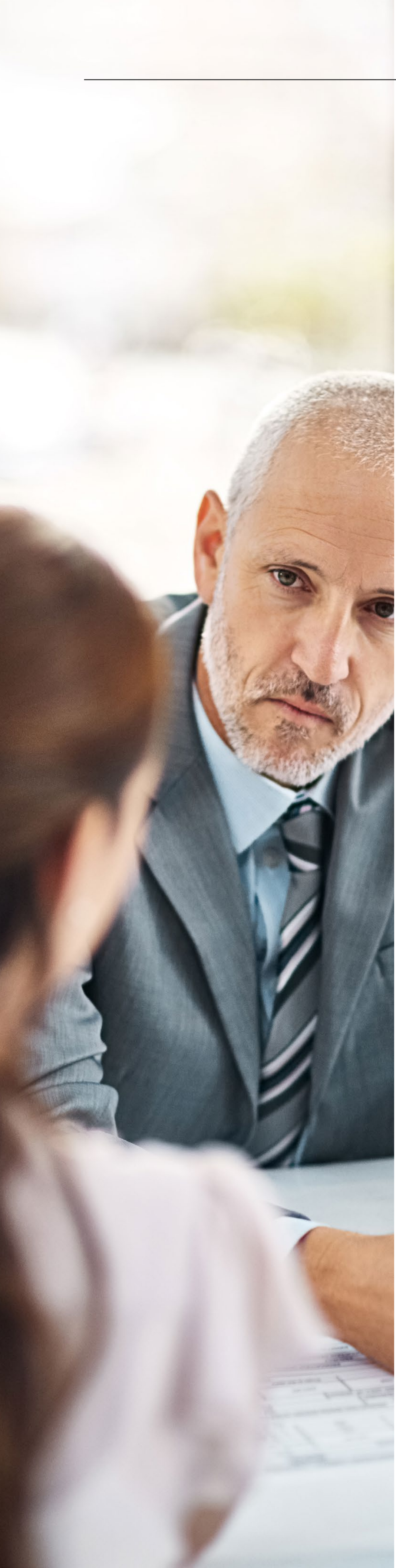
Benefits are an important tool when trying to recruit and retain talent in this tight job market, so savvy plan sponsors are no longer taking a check-the-box approach to evaluating their benefits strategy. To stay competitive, plan sponsors should be looking more strategically at their benefits, analyzing whether they reflect the company culture, create value for the employees throughout the organization and are relevant to the needs of a multi-generational workforce.

Doing this—while adapting to new trends that are affecting the benefits landscape—is no easy task. But it can be done if you make it a priority in 2020. Your BDO representative is ready to assist you in identifying ways to strengthen your benefits plan in the new year.

2020 Cost-Of-Living Adjustments For Qualified Retirement Plans

The Internal Revenue Service (IRS) and the Social Security Administration (SSA) have each announced 2020 cost-of-living adjustments (COLA). The IRS adjustments increased annual compensation amounts and limits for elective deferrals as well as catch-up contribution limits for age 50+ employees, but other catch-up contribution limits remain unchanged. Those receiving Social Security and Supplemental Security Income benefits will receive a 1.6 percent increase in benefits effective January 2020. The SSA also announced an increase in the taxable wage base (that is, the maximum amount of earnings subject to Social Security tax) for 2020. The table below highlights selected IRS COLA amounts for 2020 and prior years as well as the SSA taxable wage base amounts for similar periods.

CODE SECTION	2020	2019	2018	2017	2016
401(a)(17)/404(l) Annual Compensation	$285,000	$280,000	$275,000	$270,000	$265,000
402(g)(1) Elective Deferrals	19,500	19,000	18,500	18,000	18,000
408(k)(2)(C) SEP Minimum Compensation	600	600	600	600	600
408(k)(3)(C) SEP Maximum Compensation	285,000	280,000	275,000	270,000	265,000
408(p)(2)(E) SIMPLE Maximum Contributions	13,500	13,000	12,500	12,500	12,500
409(o)(1)(C)(ii) ESOP Limits	1,150,000 230,000	1,130,000 225,000	1,105,000 220,000	1,080,000 215,000	1,070,000 210,000
414(q)(1)(B) HCE Threshold	130,000	125,000	120,000	120,000	120,000
414(v)(2)(B)(i) Catch-up Contributions	6,500	6,000	6,000	6,000	6,000
414(v)(2)(B)(ii) Catch-up Contributions	3,000	3,000	3,000	3,000	3,000
415(b)(1)(A) DB Limits	230,000	225,000	220,000	215,000	210,000
415(c)(1)(A) DC Limits	57,000	56,000	55,000	54,000	53,000
416(i)(1)(A)(i) Key Employee	185,000	180,000	175,000	175,000	170,000
457(e)(15) Deferral Limits	19,500	19,000	18,500	18,000	18,000
1.61-21(f)(5)(i) Control Employee	115,000	110,000	110,000	105,000	105,000
1.61-21(f)(5)(iii) Control Employee	230,000	225,000	220,000	215,000	215,000
219(b)(5)(A) IRA Contribution Limit	6,000	6,000	5,500	5,500	5,500
219(b)(5)(B) IRA Catch-Up Contributions	1,000	1,000	1,000	1,000	1,000
Taxable Wage Base for Social Security	137,700	132,900	128,700	127,200	118,500



Personalizing Retirement Communications Based on Life Events

Many employers are looking to reinvent their benefit strategies by coming up with new forms of retirement, financial wellness, and health benefits to better meet the needs of their workforces. While developing new types of benefits may certainly help increase employee engagement and satisfaction, rethinking the way information about existing benefits is communicated to employees can make a powerful impact as well.

One way to do this is by personalizing your messages to employees. Your workforce likely comprises a broad range of age groups—from baby boomers close to retirement to Gen Z in their first job. Rather than sending the same message to all employees, you could tailor the message to focus on what is likely to be most relevant to that life stage.

Furthermore, you could personalize the communications based on specific life events. Here we will review how plan sponsors could use major life events—such as birthdays, promotions, and changes in family situations—to reach out to employees and educate them on opportunities to adjust their retirement savings strategies and strengthen their overall financial plans.

LIFE EVENTS: KNOWN VS. UNKNOWN

There are certain life events that plan sponsors will automatically know based on information currently in the employee database. These events can be triggers for sending personalized messages detailing how the employee might consider adjusting their retirement savings based on that milestone:

- **Birthdays:** Certain birthdays trigger eligibility for additional retirement benefits. For example, at age 50, employees can make catch-up contributions to their 401(k) and Individual Retirement Accounts (IRAs). Additionally, employees are eligible for tax-free distributions from their retirement accounts at age 59 ½. Plan sponsors should consider sending messages well in advance of the birthday to educate the employee on these upcoming changes.
- **Promotions:** HR usually gets notified when an employee is promoted or earns certain licenses that typically lead to a promotion. Plan sponsors can use this as an opportunity to remind employees of how getting a raise in salary can be an ideal time to consider increasing their retirement contributions or review their overall retirement strategy.

In addition to these easy-to-track milestones, employees experience other life events that plan sponsors may not automatically know about. Regardless, plan sponsors should be prepared with helpful information in case the employee asks for help understanding how the event could affect their retirement strategy and overall financial goals. These life events include:

- **Having a baby:** New parents will want to review their insurance coverage and retirement savings in light of their growing family. This also might be a good time to send information about starting a 529 plan or other college savings fund.
- **Marriage:** Marriage is a great celebration of love and a time to combine resources. Employees will need extra help determining heath benefits required and retirement savings strategy for this now party of two.
- **Divorce:** Divorce can be tough. Help your employees adjust to the single life. This is another time when employees may have many questions about changing their benefit selections and/or revising their retirement strategy.
- **Buying a first home:** Employees may not realize that they can withdraw up to $10,000 from their IRA penalty free before age 59 ½ for qualified first-time home purchases. The Internal Revenue Service (IRS) website provides additional information about these types of withdrawals and other exceptions to the tax on early distributions. Perhaps a 401(k) loan is a good option to think about when considering a down payment on a home.
- **Teen's first job:** Your employees may not realize that when their kids begin earning income (possibly as teenagers), these teens are eligible to contribute to a Roth or traditional IRA.
You can help your employees by teaching them about this strategy for getting their kids off to a strong start in their retirement savings.
- **Kids starting college:** Employees may be able to take loans from their 401(k) to pay for college expenses. Another option that some plans allow is to take a hardship withdrawal from the 401(k) plan; it is important, however, for employees to understand that there are taxes and penalties associated with hardship withdrawals if taken before age 59 ½. Again, the IRS website explains the tax effects for using 401(k) assets for college expenses.
- **Hardship distributions:** Many plans allow participants to withdraw assets under many other situations. The IRS website has useful information explaining the tax issues involved with doing this.

BDO INSIGHT: KNOW YOUR WORKFORCE'S TOUCHPOINTS

Plan sponsors don't have an easy job in gaining the attention of employees when it comes to saving for retirement. Baby boomers might be more engaged because they are on the cusp of retirement, but Gen Z workers might simply be trying to figure out how to save enough for a down payment on their first home. All workers, regardless of age, are constantly being bombarded with messages through email, social media, billboards and other channels throughout their daily lives.

One way to cut through the noise and get your employees' attention in this highly competitive messaging environment is by personalizing the message. It is relatively easy to do this for milestones like birthdays and promotions. But even if the employer doesn't have immediate knowledge of the life event, the employer can still have prepackaged information available to distribute when they find out about these milestones.

Targeted, personal benefits communications can engage employees and help plan sponsors achieve their benefit program goals. Your BDO representative can help review the particulars of your plan to help reinvent your benefit strategies.

Financial Well-Being: Educating Employees About Financial Strategies for Kids

It is natural for parents to be concerned about their children's financial futures. This can become a problem for employers if parents take this worry to work every day. For employers, helping employees deal with financial stress related to their child can contribute to a more engaged, productive workforce.

Two of the most important factors of a child's long-term financial success are paying for college and saving for retirement. Fortunately, there are tax-advantaged strategies that parents can use to help their kids get started in both of these areas—and employers are in a unique position to help their workforces learn about these tools.

Surveys show that, more often than not, employees trust family members and their employers when it comes to financial education. Here, we will review some of the strategies that employers may want to consider sharing with their workforces as part of a broader financial well-being campaign.

RETIREMENT: ROTH IRAS FOR TEENS

When it comes to saving for retirement, time is the most powerful lever. The earlier one starts saving, the more opportunity they have to leverage the power of compounding. Taxes also play a huge role in the success of any retirement strategy. Because of these two truisms, parents may want to consider having their children contribute to an individual retirement account (IRA).

Children, regardless of age, can open and contribute to a traditional or Roth IRA as long as they can show that they have earned income. The amount that can be contributed to an IRA in 2019 is limited to the lesser of $6,000 or the amount of the child's earned income during the year.

Parents can help with the contributions, but, again, the total amount that can be contributed to the account—whether it comes from the child directly, the parent or both parties—is limited to the amount of the child's earned income up to the $6,000 cap.

There are two primary IRA options: a traditional IRA, which provides an up-front tax deduction, and a Roth IRA, which provides a tax break on the back end.

Children can open a traditional IRA, in which pre-tax dollars fund the account and withdrawals after the individual reaches age 59 1/2 are taxed at the individual's tax rate at the time; or a Roth IRA, in which after-tax dollars fund the account and withdrawals after age 59 ½ are tax-free.

In most cases, the Roth IRA will be more advantageous for children because they are likely to be in a much lower tax bracket as teenagers compared to when they retire.

To showcase the power of investing early into perspective, consider the example of a child who begins contributing $2,000 a year to a Roth IRA at age 13. Assuming a 5% return on the investments and that the person continues contributing the same amount every year, by the time he or she reaches age 65, the account will have grown to nearly $490,000, all of which will be tax-free. Increase the annual contribution to $3,000 and the total jumps to $733,000.

COLLEGE SAVINGS: 529 PLANS AND OTHER OPTIONS

Last year, tuition to private colleges cost an average of $46,680, while public schools averaged $19,080, according to the College Board's Annual Survey of Colleges. According to the Princeton Review, in 2006 parents' biggest worry was getting their child into the right college, but now the biggest worry is the level of debt taken on to pay for the degree.

There are many tax-advantaged strategies that parents can use to begin saving for college, highlighted by 529 plans. Contributions to 529 plans grow tax-free if the money is ultimately used for qualified college education expenses. The Tax Cuts and Jobs Act passed in 2017 allows parents to withdraw up to $10,000 annually for private elementary and high school expenses.

These popular college-savings plans are available at the state level, and parents can choose to enroll their children in plans outside their state. Some states allow income tax deductions (up to a specific amount) for in-state users. Accounts are transferable as well, so if the first child winds up not going to college, the assets can be transferred to another child, who does not have to be a sibling.

Parents looking to avoid the gift tax need to contribute $15,000 or less per child for singles or $30,000 for married couples. There are opportunities to front-load up to five years' worth of gifts ($75,000 per individual or $150,000 per couple) into one year.

Coverdell Education Savings Accounts are another college savings tool. These operate similarly to 529s, but Coverdells have a $2,000 contribution limit per year. While 529s can be used to pay for tuition and certain related expenses, Coverdells pay for other educational expenses like books, supplies and tutoring. One catch is that there are federal income limits that apply each year (for 2018, it was $110,000 for single-filers and $220,000 if filing jointly.

BDO INSIGHT: GET PRIORITIES RIGHT

Just like the flight attendant tells passengers to put their own air mask on first before helping others, employers should stress the importance of employees prioritizing their own retirement savings over helping children with their finances. Children have time and options for funding their college and retirement expenses, but once you reach retirement age, your options are more limited.

Employers are taking a more holistic view of their employees' financial well-being. Educating employees about strategies for their children can be a valuable piece of this effort. Your BDO representative is ready to help you understand the various opportunities you may have to educate your workforce.

PBGC Premium Increases: How Plan Sponsors Manage the Burden

Defined benefit plan sponsors are used to managing risk in terms of asset value volatility or minimum funding requirements. But one of the biggest threats to benefit plans is the continually rising premium costs paid to the agency that insures these plans.

As Pension Benefit Guaranty Corp. (PBGC) premiums continue to increase, we examine some ways plans sponsors can address the risk of rising costs within their plans.

PREMIUM PRIMER

The Pension Protection Act of 2006 (PPA) changed the premium payment structure that plan sponsors pay to the PBGC. These premiums ensure that if a company becomes insolvent, the PBGC will step in and pay the promised benefit to each participant.

Plan sponsors may need to pay two premiums to the agency. The first is a flat rate premium, which is similar to an insurance payment. It will rise to $83 per participant in 2020, up from $80 in 2019. The second premium, called a variable-rate premium, is paid when a plan has missed a designated funding level. This number is significant in 2020 at $45 per participant for every $1,000 in unfunded vested benefits (UVBs) and will be capped at $561 for each participant. In 2019, this rate was $43 per participant, with a $541 cap.

Investment returns and liability discounting rates affect funding levels, and during periods of heightened volatility plan sponsors may be forced to choose between paying the variable rate or increasing contribution levels to keep the plan solvent. Sometimes it is possible for plan sponsors to shift budgeted contributions to an earlier period to reduce PBGC premiums.

While volatility is always top-of-mind for plan sponsors, steep premium rate increases are keeping plan sponsors up at night as well. Since the PPA was enacted, rates for single-employer plans have shot up 137 percent for flat-rate premiums, and 400 percent for variable-rate premiums. Multi-employer costs for flat-rate premiums will increase to $30 per participant in 2020, from $8 in 2007.

In response to rising premiums and other market trends, many plan sponsors are choosing to reduce their exposure to the risk of maintaining a defined benefit plan. According to the Bureau of Labor Statistics, 39 percent of defined benefit plans are in some way frozen—either to new employees or new accruals. But even frozen plan funding levels are subject to ups and downs that trigger variable rate premium increases.

WAYS TO DE-RISK PENSION PLANS

Because plan sponsors have seen the variable rate nearly double in the past five years, they are looking at ways to de-risk their plans. Plan sponsors are revisiting and combining multiple strategies to offload risk from their defined benefit plans. Reducing the headcount and liabilities within the existing plan helps remove the risk of having to pay exorbitant premiums. Many organizations choose to de-risk in waves, when terms are more favorable to complete certain parts of the overall strategy.

One approach is to offer lump-sum payments to terminated vested participants who have not yet started to take their benefit. This is a voluntary option for participants and can be an effective way to reduce headcount and plan obligations. Employees can take their benefits as a lump-sum, or roll assets into an Individual Retirement Account (IRA). It can be a preferred strategy because the cost to offer a lump-sum can be equal to or less than the plan sponsor's obligation or liability.

A second method is to buy group annuity contracts from an insurance carrier for existing and terminated vested employees. Plan sponsors do not need employee approval for this strategy. This also may be a good option for those paying the per-participant cap for their unfunded liabilities.

In fact, 40 percent of plan sponsors told the Secure Retirement Institute (SRI) that they were interested in pension plan buyouts in 2020. The company reported U.S. corporate pension plan buyout sales equaled $7.7 billion, up 23 percent from 3Q 2018.

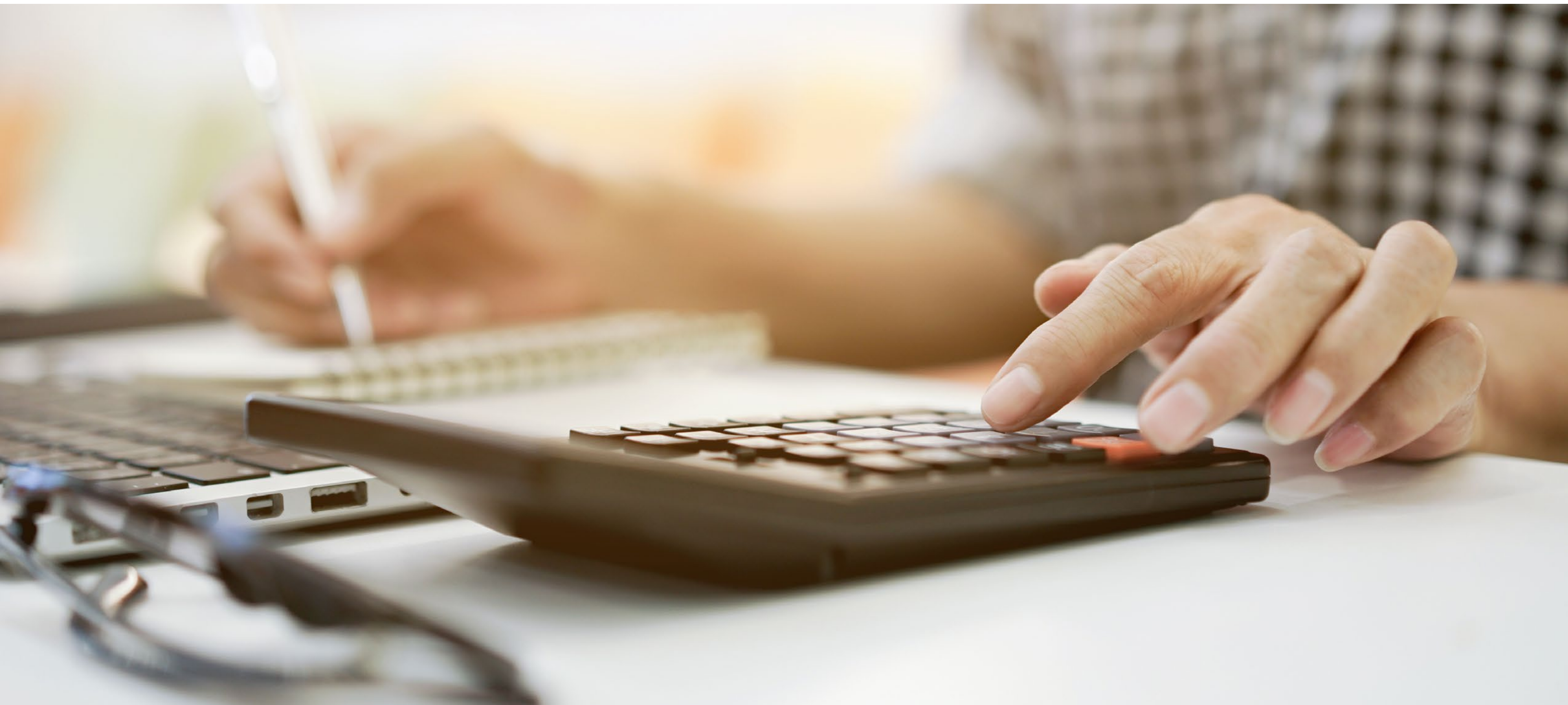
A third option, called a buy-in, is seeing a resurgence in popularity. This is a form of Liability Driven Investing (LDI), where the plan sponsor purchases a group annuity contract, just like a buy-out. With a buy-in, however, the plan sponsor remains in control of the assets, but is reimbursed by the insurance company for monthly payments. The insurance company assumes the risk for the benefits it insures. Plan sponsors looking to have more control in timing of a future buyout may want to consider this method.

BDO INSIGHT: DE-RISKING IS NOT ONE-SIZE-FITS-ALL

Defined benefit plan premium costs continue to be expensive and unpredictable, so it is not surprising that plan sponsors are looking for ways to reduce or eliminate this burden.

Considering when and how much to de-risk may be just as important as determining which method to use to transfer liabilities off the organization's ledger. There are other non-financial issues to consider, such as how the transaction may affect company culture, recruiting and workforce retention.

Your BDO Representative can help you work through the many options and outcomes de-risking may yield for your organization.



Should Employers Help Employees Decide When to Retire?

Each day, approximately 10,000 baby boomers reach retirement age, but many don't have a formal plan for leaving the workforce. Many would-be retirees either decide to keep working because they need or want to, while others leave their jobs earlier than expected for unforeseen reasons.

Employers looking to strategically manage their workforces by proactively anticipating and planning for a healthy outflow of retirement-age employees have a role to play in this big decision for workers.

Forty-four percent of current retirees say they would have liked more information and advice from their employer about retirement, according to a recent study by the Transamerica Center for Retirement Studies, a nonprofit private foundation that is a division of Transamerica Institute. What's more, two-thirds of respondents in the study said their employer did nothing to help them transition into retirement.

Talking about an employee's retirement plans can be an excellent workforce planning tool—and a critical one. When employees retire earlier than expected, employers don't get a chance to transition their experience and knowledge to others. Moreover, when employees stay on the job longer than expected, employers may experience increased compensation and healthcare costs, as well as problems with promoting or rewarding other workers.

In most cases, it is against the law to force employees to retire or set a mandatory retirement age. But there are ways to get a better understanding of employees' intentions as well as ways to help them plan and prepare for a successful retirement.

Here, we will discuss how and when employers might approach the topic, along with ideas for formal programs that can help transition employees toward their retirement.

USE MILESTONES AS CONVERSATION STARTERS

Like many things that require long-term planning, retirement isn't top of mind for many workers. Thanks to the rising popularity of auto enrollment in 401(k) accounts and other company-sponsored savings plans, many employees today have a "set it and forget it" mindset about retirement.

One way for employers to refocus workers' attention on when they would like to retire is to treat employee milestones as opportunities to reengage employees about retirement planning.

Annual performance reviews, promotions and career development meetings are all examples of events that can be opportune times for employees approaching retirement age to think about a specific transition plan and date. In these instances, employers can educate employees on catch-up contribution eligibility for their retirement-savings accounts, features of their retirement and health plans, as well as other tools that will help them understand if they are on track to meet their retirement goals.

However, it is important to not single out individuals or small groups of employees with communications about retirement planning. Instead, these conversations should include all employees—although specific conversations may happen individually or in groups.

MOVING TOWARD PHASED RETIREMENT

Providing a formal, phased retirement option is another strategy. Phased retirement allows employees to transition into working fewer hours over time to help them slowly move into retirement. These programs, which can be designed in many ways, may be a mutually beneficial tool for employers and employees to help ensure a smooth transition.

Phased-retirement programs are relatively uncommon, but organizations that use them have reported benefits, according to a 2017 study by the General Accounting Office (GAO).

However, having a phased-retirement program comes with tax and regulatory hurdles; 71 percent of employers in the GAO study said they stopped operating a phased-retirement program due to the risk of violating federal tax and age discrimination rules. Still, several companies that have implemented phased-retirement programs reported being able to work around these legal challenges, according to the study.

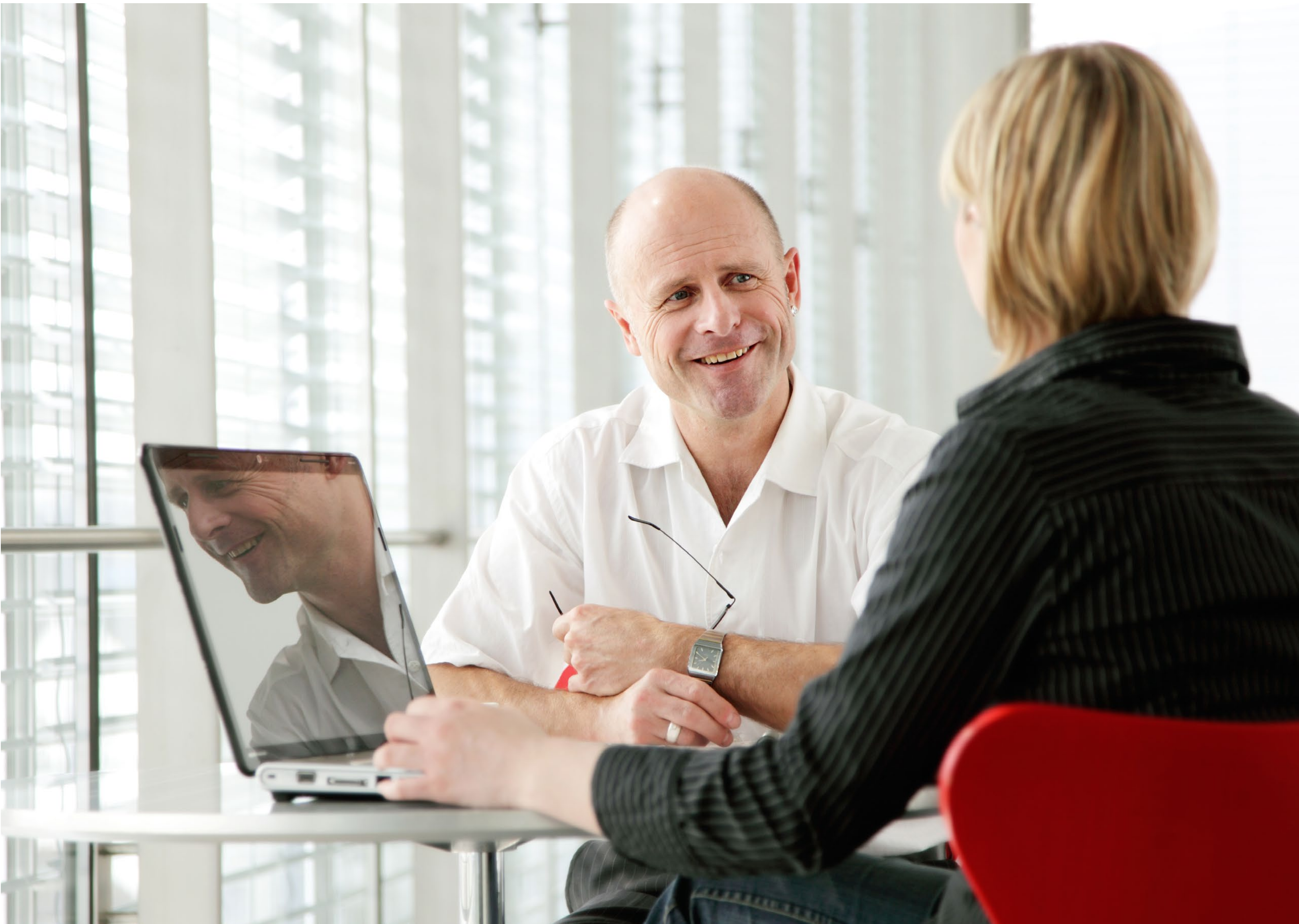
For example, to help companies comply with Internal Revenue Code (IRC) nondiscrimination rules, several companies featured in the study required age and length-of-service requirements for employees to qualify for phased-retirement status. Other employers required enrollment forms where the employee demonstrated a business need to participate in the program, the study said.

BDO INSIGHT: GIVE EMPLOYEES OPTIONS

Defined benefit plan premium costs continue to be expensive and unpredictable, so it is not surprising that plan sponsors are looking for ways to reduce or eliminate this burden.

Considering when and how much to de-risk may be just as important as determining which method to use to transfer liabilities off the organization's ledger. There are other non-financial issues to consider, such as how the transaction may affect company culture, recruiting and workforce retention.

Your BDO Representative can help you work through the many options and outcomes de-risking may yield for your organization.



CONTACT:

BETH LEE GARNER
Assurance Partner,
National Practice Leader Employee Benefit Plan Audits
404-979-7143 / bgarner@bdo.com

MICHAEL BELONIO
Assurance Director,
Northeast Region Practice Leader
212-404-5516 / mbelonio@bdo.com

MARY ESPINOSA
Assurance Director,
West Region Practice Leader
714-668-7365 / mespinosa@bdo.com

JODY HILLENBRAND
Assurance Director,
Southwest Region Practice Leader
210-424-7524 / jhillenbrand@bdo.com

LUANNE MACNICOL
Assurance Partner,
Central Region Practice Leader
616-802-3364 / lmacnicol@bdo.com

JOANNE SZUPKA
Assurance Director,
Atlantic Region Practice Leader
215-636-5591 / jszupka@bdo.com

JAM YAP
Assurance Director,
Southeast Region Practice Leader
404-979-7205 / jtyap@bdo.com

WENDY SCHMITZ
Assurance Director
704-887-4254 / wschmitz@bdo.com

DARLENE BAYARDO
National Assurance Director
714-913-2619 / dbayardo@bdo.com

CHELSEA SMITH BRANTLEY
National Assurance Senior Manager
404-979-7162 / csmith@bdo.com

RICH McCLEARY
Actuarial Managing Director,
Compensation and Benefits
234-466-4009 / rimccleary@bdo.com

ELLYN BESS
STS GES Partner,
Compensation and Benefits
757-640-7226 / ebess@bdo.com