INTELSAT Retirees Association

Impact of Benefit Legislation

Lawrence Postol
Seyfarth Shaw LLP
975 F Street, N.W.
Washington, D.C. 20004
202-828-5385
Lpostol@seyfarth.com

12776607

IMPACT OF HEALTH CARE REFORM ON RETIREE PLANS

- New requirements for health plans generally do not apply to retiree-only plans.

- Exception – the "Cadillac Tax." This excise tax does apply to retiree health plans, effective in 2018.
  - 40% tax on the value of health insurance benefits (including both employer and retiree contributions) that exceed:
    - $10,200 individual
    - $27,500 family.

      (indexed for inflation)
  - Tax is imposed on the insurance company, or in the case of a self-funded plan, on the employer.

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Breadth. Depth. **Results.**

IMPACT OF HEALTH CARE REFORM ON RETIREE PLANS (continued)

- If retiree plan includes a "health reimbursement account," over-the-counter drugs may no longer be reimbursed, beginning in 2011.

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Breadth. Depth. **Results.**

Employer Reimbursement/Subsidy

- Temporary federal program reimburses employers for a portion of medical claims paid for retirees age 55-64.
  - Employers must use the reimbursements to pay for increases in the plan's expenses, or to reduce costs to plan participants
  - Reimbursement program runs through 2014 (or until money runs out, if earlier)
- Employers will be taxed on any federal subsidy they may receive for providing retiree prescription drug coverage.

Breadth. Depth. **Results.**

Medicare Part D "Donut Hole" Fix

- Medicare Does Not Cover Prescription Costs Between $2,830 and $6,440 (Donut Hole)
- $250 federal rebate for all Part D enrollees who enter the "donut hole" in 2010.
- In 2011, 50% discount applies on brand name drugs in the "donut hole." (7% discount for generic drugs.)
- Discount increases in future years, to a 75% discount in 2020, effectively closing the donut hole by 2020.

Changes affecting Active Employee Plans – Effective for 2011 (or late 2010 Plan Years)

- Adult Children Coverage - Plans providing dependent coverage must offer coverage to adult children *up to* age 26, starting with plan years beginning on or after September 23, 2010.
- No lifetime limits on essential health benefits.
- Annual limits on essential health benefits are gradually reduced beginning in 2011, and ultimately eliminated in 2014.
- Pre-existing condition exclusions eliminated for children under age 19.
- No reimbursement of over-the-counter drugs from health FSA accounts.
- Automatic enrollment of full-time employees in employer's health plan. (Effective date unclear.)

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Breadth. Depth. **Results.**

Changes Affecting Non-"Grandfathered" Active Employee Plans

- Increased right to choose any network primary care provider.
- Emergency services rendered out-of-network covered under terms more equivalent to in-network coverage.
- First dollar coverage of certain types of preventive care services.
- Revised appeal process, including required external appeals process.
- Transparency disclosures of plan financial information and policies.

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Other 2011 Changes

- HSAs
  - penalty for non-qualified HSA distributions doubles from 10% to 20%.
  - no reimbursement for over-the-counter drugs, effective 2011.
- Itemized Deductions
  - Threshold for itemized deductions for medical expenses raised from 7.5% to 10% beginning in 2013.
    - Exception – limit remains 7.5% until 2017 for those age 65 and over.

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Breadth. Depth. **Results.**

Provisions Effective in 2014

- Everyone must have health insurance or pay a tax.
- Employers must provide "affordable" coverage to active employees or pay a tax.
- 90-day limit on waiting periods. (not applicable to retiree plans.)
- Pre-existing condition exclusions eliminated. (not applicable to retiree plans).
- State-based insurance exchanges available.

PPA Provisions Affecting Pension Benefits

- Under the Pension Protection Act, if plan doesn't meet certain funding targets, benefits may be limited.
  - If plan funding is less than 80% of specified target for a year, no increases in benefits are permitted.
  - If funding is between 60% and 80% of target, lump sum payments cannot exceed the lesser of:
    - 50% of the lump sum distribution otherwise payable; or
    - the present value of the participant's PBGC-guaranteed benefit. The remaining benefit is payable in the form of an annuity.
  - If plan funding is below 60%, shut-down benefits, lump sums or other accelerated benefits are prohibited, and benefits accruals would be frozen.

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PPA Provisions Affecting Pension Benefits (continued)

- If benefit limits are triggered, participants must be notified within 30 days.
- Plan must provide an annual notice reflecting the funding percentage for the prior year (along with other information).

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If Plan Were Terminated?

- Intelsat can terminate the Pension Plan only through either:
  - Standard Termination: Employer must fully fund the plan before terminating. Participants receive their full accrued benefits.
  - Distress Termination: Permitted only if PBGC (or bankruptcy court) determine that employer – and all members of employer's "controlled group" – cannot stay in business unless plan is terminated.
    - In a distress termination, the PBGC guarantees benefits up to a specific level (currently $54,000 per year at age 65).
  - 60 days advance notice to participants is required before termination.

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Breadth. Depth. **Results.**

PBGC GUARANTY

- Amount of benefit guaranteed by PBGC is frozen as of the date the employer files for bankruptcy. (This rule became effective in 2006.)

- Reduced guarantee of benefits that become payable because of a shut-down or other unpredictable contingent event within 5 years of plan termination.

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Other Pension Rules

- PPA tightened funding rules starting in 2008. Under the PPA, the employer's contribution for a year must be sufficient to amortize unfunded benefits over 7 years.
- In 2010, Congress provided limited relief from these funding rules, allowing a longer amortization period.
- New rules apply in calculating lump sum distributions (beginning 2009).

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