

UNITED STATES OF AMERICA – AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Normal retirement age for state benefits is 66, with the option to take reduced benefits from age 62. NRA is increasing to age 67 for those born in 1960 or later. The state retirement pension is based on earnings averaged over a worker's lifetime, with a maximum state pension of USD 2,185 a month (since 2008). This is around 20% of final earnings for employees with earnings up to the Social Security Contribution Base of USD 106,800 (2011). The state also provides survivors' pensions, disability pensions and limited medical care for pensioners.			
Typical New Pension Plan	Almost all new pension plans are defined contribution, most commonly 401(k) plans which allow employees to contribute a percentage of earnings on a pre-tax basis. Lump sum death benefits are provided from separate plans. The typical benefit is one to two times earnings, with the option for employees to pay voluntary contributions for additional cover. Long-term disability benefits may be provided, particularly for monthly-paid employees. Private medical insurance is widespread and a wide variety of plans are available.			
Typical Costs	Employers and employees both contribute 6.20% of earnings up to the Social Security Contribution Base, plus 1.45% for health care on all earnings. Employers typically contribute 50% of the employee contribution to a 401(k) pension plan up to a maximum of 3%; employees typically have the option to contribute from 1% to 100% of earnings up to USD 15,500 (2008). Private medical insurance costs are normally shared between employers and employees.			
Tax Implications	Different tax laws apply to pensions and insured benefits. Reasonable employer contributions to qualified pension plans are tax deductible and not taxable to employees. Employer contributions for insured benefits are also tax deductible. Group life premiums over USD 50,000 are taxable to employees. Employee contributions to 401(k) plans are tax deductible up to USD 16,500 (2011) plus an additional USD 5,500 for employees age 50 and over. Other employee contributions are not tax deductible. The tax advantaged employer contribution limit to a defined contribution plan is USD 49,000 (2011). The employer provided maximum annual retirement benefit under a defined benefit pension plan is USD 195,000 (2011). Benefits derived from untaxed contributions are taxed as income.			
Labour Law Issues	Private plans are regulated by the Department of Labor and the Internal Revenue Service. Employee contributions are immediately vested; employer contributions typically vest over a period of years. Pensions do not have to be indexed for inflation.			
Pooling Potential	Insured life and disability benefits can be included in multinational pooling arrangements, but not medical insurance.			
International Financial Reporting	Listed companies are required to use US GAAP and are not permitted to use International Financial Reporting Standards. Unlisted companies are permitted to use IFRSs.			
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