



Rewards Policy Insider

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In this Issue:

1. [DOL Issues PBM Disclosure Regulations](#)
2. [IRS Provides More Guidance on New Deduction for Overtime Compensation](#)
3. [DOL Issues Guidance on the Family and Medical Leave Act](#)

Upcoming Compliance Reminders for Calendar Year Employee Benefit Plans

March 2026

2nd: Form 1095-C must be made available for employees

31st: Forms 1094-C and 1095-C due to IRS

Note: This is meant to be a reminder of certain upcoming compliance deadlines for employee benefit plans operating on a calendar year basis. It is not an exhaustive list of compliance obligations. Specific plans may be subject to different obligations and deadlines depending upon a variety of factors, including the plan type, plan year, and whether or not the plan is subject to ERISA, among other things.

DOL Issues PBM Disclosure Regulations

Just before Congress passed a series of new requirements for pharmacy benefits managers (PBMs), the Department of Labor (DOL) issued long-anticipated proposed regulations that would require significant new disclosures by PBMs doing business with self-insured group health plans subject to ERISA.

Background

Generally, ERISA section 406(a) prohibits plan fiduciaries from causing plans to engage in certain transactions with “parties in interest,” including plan service providers. There is an exception, however, at ERISA section 408(b)(2), for certain service provider arrangements if the compensation is “reasonable.”

The Department of Labor has previously issued regulations under ERISA section 408(b)(2) to provide guidance on the reasonableness requirement for certain arrangements between retirement plans and service providers. Congress has also recently amended ERISA section 408(b)(2) to codify similar requirements for contracts between group health plans and providers of brokerage and consulting services.

The new proposed regulations focus specifically on arrangements between self-insured group health plans and PBMs and other providers of pharmacy benefit management services.

Summary of Proposed Regulations

In order for any contract or arrangement for services between a self-insured group health plan (a “covered plan”) and a PBM or other provider of pharmacy benefit management services (a “covered service provider”) to be “reasonable”

for purposes of ERISA section 408(b)(2), the proposed regulations would establish written disclosure requirements that must be satisfied. The disclosures required by the proposed regulations will be by the PBM to the plan's fiduciaries. However, recently enacted legislation will require additional information to be more broadly available.

Specifically, the proposed regulations would establish an initial disclosure requirement, as well as a semi-annual disclosure requirement.

The **initial disclosure** would be required "reasonably in advance of the date on which the service contract or arrangement is entered, and extended or renewed" In the case of renewals and extensions, 30 calendar days in advance would be deemed reasonable.

The **semi-annual disclosure** would be required no later than 30 calendar days after the end of each six-month period, with the first six-month period beginning on the date the service contract or arrangement is entered.

In both the initial and semi-annual disclosures, the required information would include all sources of direct and indirect compensation from the arrangement, including manufacturer rebates, spread pricing, copay clawbacks, and formulary placement incentives, among other things.

As a general matter, the information in the initial disclosures would be reasonable estimates of amounts from the different sources, and actual amounts received during the period covered by each semi-annual disclosure. The proposed regulations also would allow plans to initiate annual audits to confirm the accuracy of the disclosures.

Next Steps

DOL is accepting comments on the proposed regulations through March 31, 2026. In addition to considering whatever comments are received, DOL will also be faced with reviewing the new PBM disclosure requirements approved by Congress, and determining what, if any, modifications are needed to the proposed regulations, as well as any additional guidance that might be required as a result.

Additional information about the new statutory disclosure requirements will be published in the next edition of Rewards Policy Insider.

IRS Provides More Guidance on New Deduction for Overtime Compensation

The Internal Revenue Service ("IRS") published a Frequently Asked Questions ("FAQs") document addressing the new deduction for qualified overtime compensation enacted by the One Big Beautiful Bill Act ("OBBBA").

Background

The OBBBA, which was enacted in July 2025, added a new income tax deduction for individuals with respect to their qualified overtime compensation. The deduction is available for tax years 2025 through 2028. The deduction amount is limited to \$12,500 per tax return (\$25,000 for joint tax returns), and the deduction phases out for taxpayers with income over \$150,000.

The IRS released preliminary guidance on the overtime compensation deduction (and the new deduction for tips enacted by the OBBBA) in [Notice 2025-69](#). (See Rewards Policy Insider [2025-25](#) for a summary of this guidance.)

IRS Answers FAQs About Overtime Compensation Deduction

Ahead of the upcoming tax season, in January 2026, the IRS issued [Fact Sheet 2026-1](#), which addresses a number of FAQs regarding the overtime compensation deduction. The Fact Sheet addresses the following questions (among others):

- **What is qualified overtime compensation for purposes of the deduction?** Qualified overtime compensation is overtime compensation paid to an individual required under the Fair Labor Standards Act (“FLSA”) that exceeds the regular rate at which the individual is employed.
- **How do I determine whether I am covered by and not exempt from the FLSA?** In connection with determining what is “qualified overtime compensation,” the Fact Sheet reminds employees that whether an individual is covered by the FLSA is a fact-specific determination that depends on the individual’s occupation, work activities, and earnings. The Fact Sheet advises individuals to consult two resources on the Department of Labor’s website for more information: [Fact Sheet #14: Coverage under the FLSA](#) and [Handy Reference Guide to the FLSA](#).
- **Are there other rules that apply to the deduction?** In addition to the limits on the deduction amount described above, the Fact Sheet describes two additional key rules on the deduction:
 - The taxpayer who received the qualified overtime compensation must have a social security number valid for employment and must include the social security number on their tax return when they claim the deduction.
 - If the taxpayer is married, the taxpayer and their spouse must file a joint return to claim the deduction.
- **Will qualified overtime compensation be separately reported to individuals on Form W-2, Form 1099-NEC, or Form 1099-MISC? Doesn’t qualified overtime have to be separately reported in order for an individual to take the deduction?** The Fact Sheet explains that the answer to these questions depends on the tax year. For example, for tax year 2025, employers are not required to report qualified overtime compensation separately on such Forms. Also for 2025, if individuals do not receive a Form W-2 or other statement from their employer that separately reports their overtime compensation, they can calculate their overtime compensation by using the methods described in [Notice 2025-69](#) and the [Instructions for Form 1040](#). Separate rules apply for tax year 2026.

DOL Issues Guidance on the Family and Medical Leave Act

The Department of Labor (“DOL”) issued a letter confirming that an employee may use leave under the Family and Medical Leave Act (“FMLA”) to travel to and from medical appointments. The letter provides clarity for employers on what qualifies as FMLA-protected leave.

Background

DOL occasionally issues opinion letters, which provide official interpretations of how laws apply to specific factual circumstances that are presented by individuals or organizations. DOL issues opinion letters addressing a range of federal laws, including the FMLA, which allows eligible employees of covered employers to take up to 12 weeks of unpaid leave for specified family and medical reasons. Under the FMLA, employees may use the leave for work time spent in medical appointments either related to their serious medical conditions or those of qualifying family members.

An employer may require an employee to submit a medical certification to support the employee’s need for FMLA leave. The certification allows the employer to obtain information about the leave request, such as the likely periods that the employee will be absent. For the certification to be sufficient, it must include certain information specified in the FMLA statute, including the date on which the serious medical condition commenced.

Opinion Letter Addresses FMLA and Travel Time for Medical Appointments

In January 2026, DOL issued [FMLA 2026-2](#), an opinion letter addressing whether FMLA leave may be used not just for the time spent at medical appointments, but also any time spent traveling to or from medical appointments. The opinion letter also addresses whether FMLA leave may be applied to travel time in a situation where the employee provided the employer with a medical certification from a health care provider that confirms the employee’s need for the appointment, but the certification does not address travel to or from the appointment.

DOL concludes that:

- When an eligible employee travels to or from a health care provider for a medical appointment regarding their serious health condition, they may take FMLA leave not only for the actual appointment, but also for the time traveling to or from the appointment. Similarly, when an employee travels to or from a medical appointment for a covered family member, the employee is entitled to use FMLA leave.
- An FMLA medical certification does not need to include any information regarding travel time to be considered complete and valid under the FMLA.

DOL cautions, however, that FMLA-protected leave for such travel time does not include any stops or travel to unrelated activities. For example, DOL explains that if an eligible employee takes intermittent leave on Friday afternoons for two hours to go to physical therapy for her serious health condition (including travel time), but then she requests an additional hour of leave in order to go to the library and shop for groceries on her way back to the office, the two hours she needs for therapy is FMLA-protected, but the additional time is not.

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