

Presentation to the
Financial Administrator Development Program

Benefits and Fringe Rates

May 18, 2017

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Agenda

- Introduction
- Benefits Overview
- Health Care Costs
- Establishing a Fringe Benefit Rate
- Fringe Benefit Model

Background on Benefits

- Why do we offer benefits?
 - Attraction & Retention of Staff
 - Some Required by Law
 - Negotiated

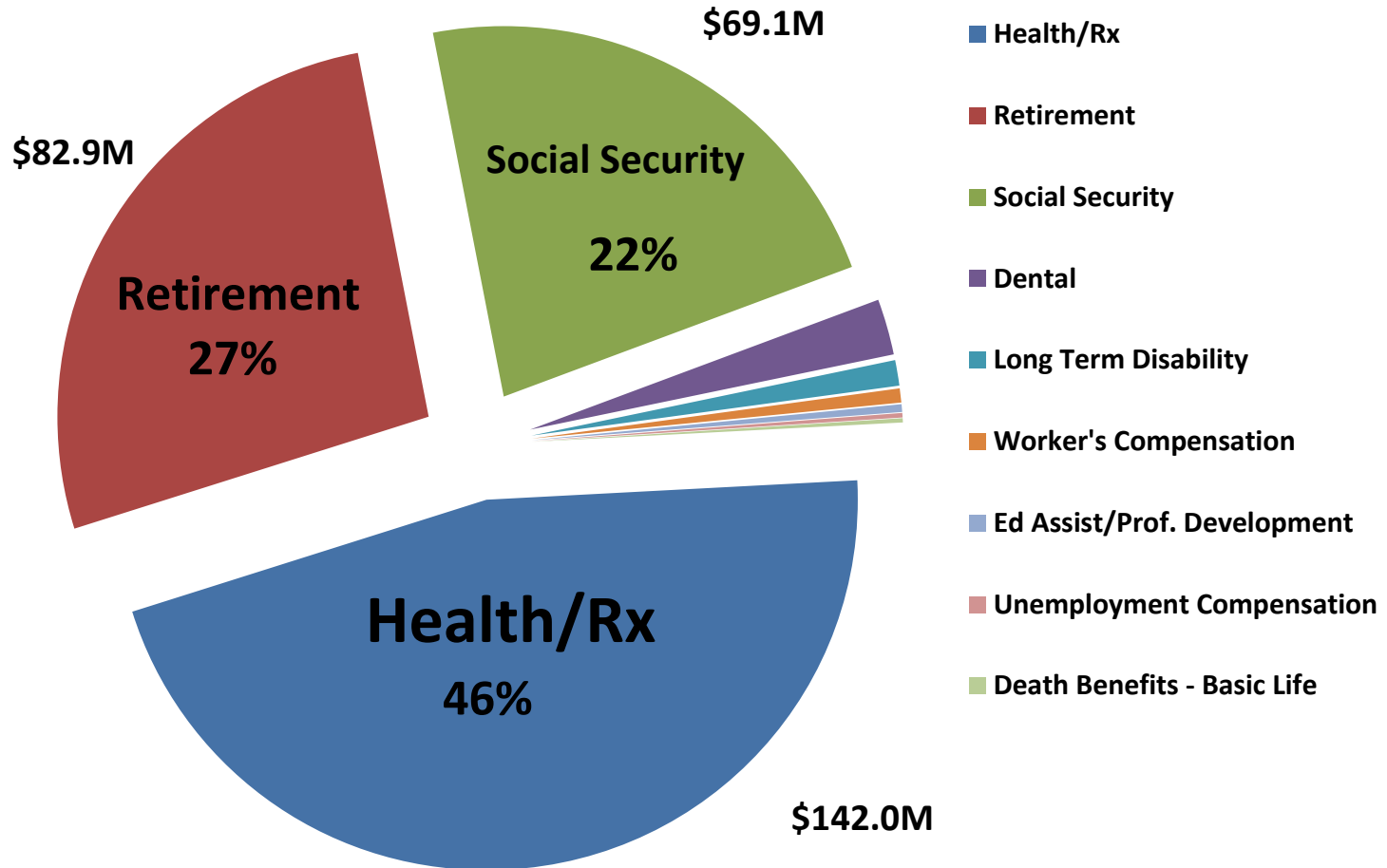
Background on Benefits

Employer-Paid Benefits	Annual Cost (in Millions)
Health/Rx	\$ 142.0
Retirement	\$ 82.9
Social Security	\$ 69.1
Dental	\$ 7.5
Long Term Disability	\$ 3.4
Worker's Compensation	\$ 1.9
Ed Assist/Prof. Development	\$ 1.0
Unemployment Compensation	\$ 0.6
Death Benefits	\$ 0.6

Background on Benefits

- What does MSU spend annually on benefits?
 - Over \$300 Million (all funds)
 - Health Care Biggest Portion of Benefits Budget
 - Determining Health Care Budget
<http://vimeo.com/63621017>

FY2016-17 Benefits Budget - All Funds = \$309.0M



Health Care Costs in Perspective

\$142 million annually works out to approximately:

- \$389,041 per day
- \$16,210 per hour
- \$270 per minute
- \$4.50 per second

Health Care Costs in Perspective

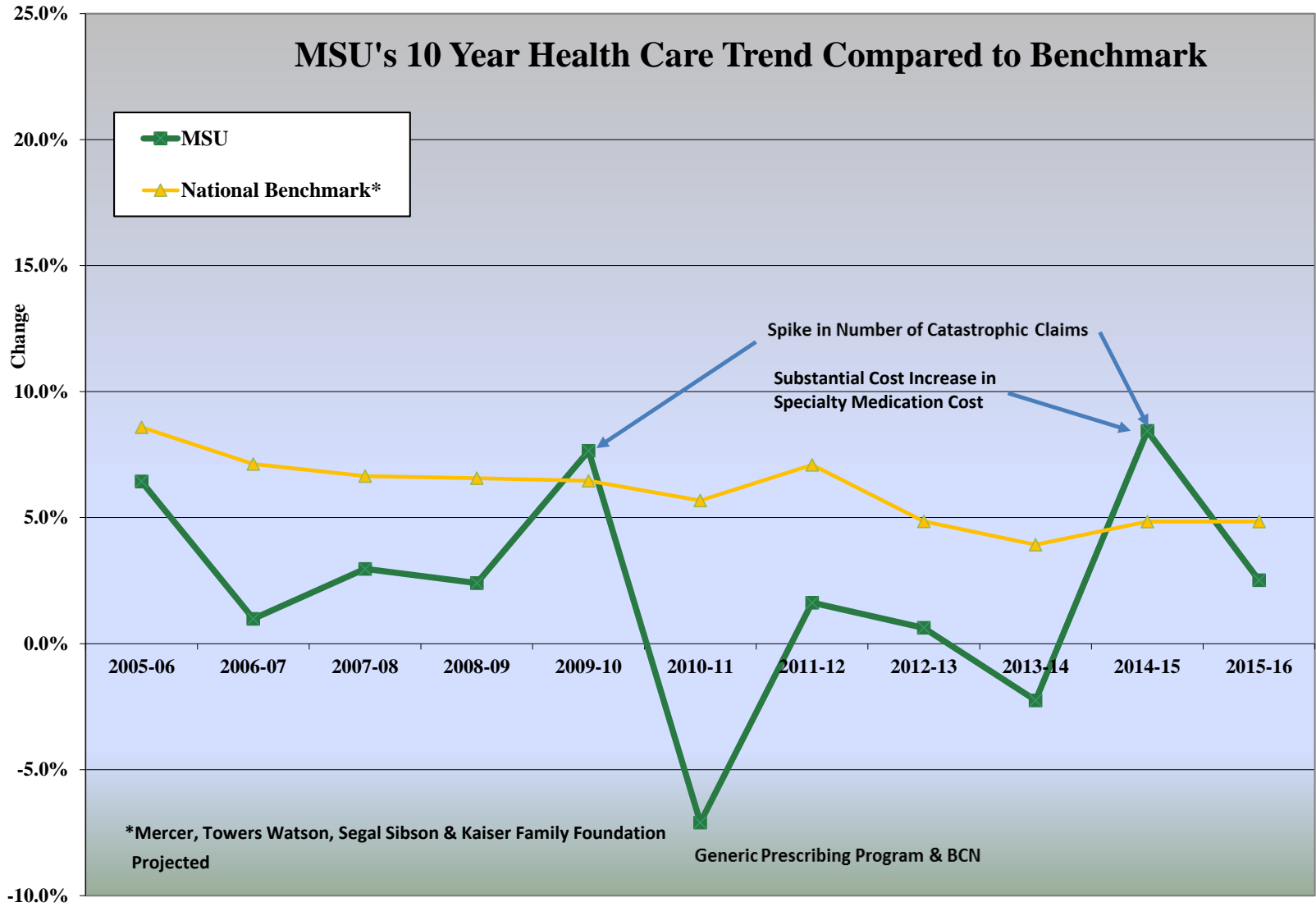
- In 1966 the cost for health care coverage for an individual was approximately \$8 per month. Today MSU pays about \$465 per month
- In 1984 the cost of health care made up about 3% of the MSU General Fund budget it now makes up nearly 6.5%

Factors Impacting Health Care Costs

- Numbers of Individuals Covered
- An Aging Population
- Medical Inflation
- Increased Utilization
- Government Regulations
- Medical Technology Advancements
- Defensive Medicine Due to Litigation Risk

Health Care Cost Control Strategies

- Plan Design Changes
- Incent Healthy Behavior/Lifestyles
- Provide Tools to help Consumerism (e.g. Cost and Quality Comparisons)



Fringe Benefit Allocation Model



What does “SI” mean??



Michigan State University uses the **specific identification (SI)** fringe benefit costing model to project and recover the cost of fringe benefits from employing departments (all funds) and to maintain a contingency reserve for fringe benefit expenses.

Why SI?

- Identifies the cost per employee and allocates it proportionately to the accounts from which the employee is paid
- Applied to all MSU accounts with charges to department general fund accounts redirecting to centrally budgeted and funded general fund accounts

Benefits Components of SI

- Health/Dental/Prescriptions – 46%
- MSU Retirement – 27%
- Social Security – 22%
- Miscellaneous Other – 5%

Health/Dental/Prescriptions

- Fixed dollar amount/flat amount
- Based on the University average cost per employee with an amount factored in for all current University retirees covered by MSU insurance
- Based upon ELIGIBILITY for health benefits, not PARTICIPATION. If the employee chooses not to participate, the department will still incur the charge
- FY 2016-17 rate is \$13,125

MSU Retirement

- 10% of base salary
- Employee must be ELIGIBLE and PARTICIPATE
- Not a 10% allocation – this is the **actual** amount being contributed to the retirement vendor on behalf of the employee

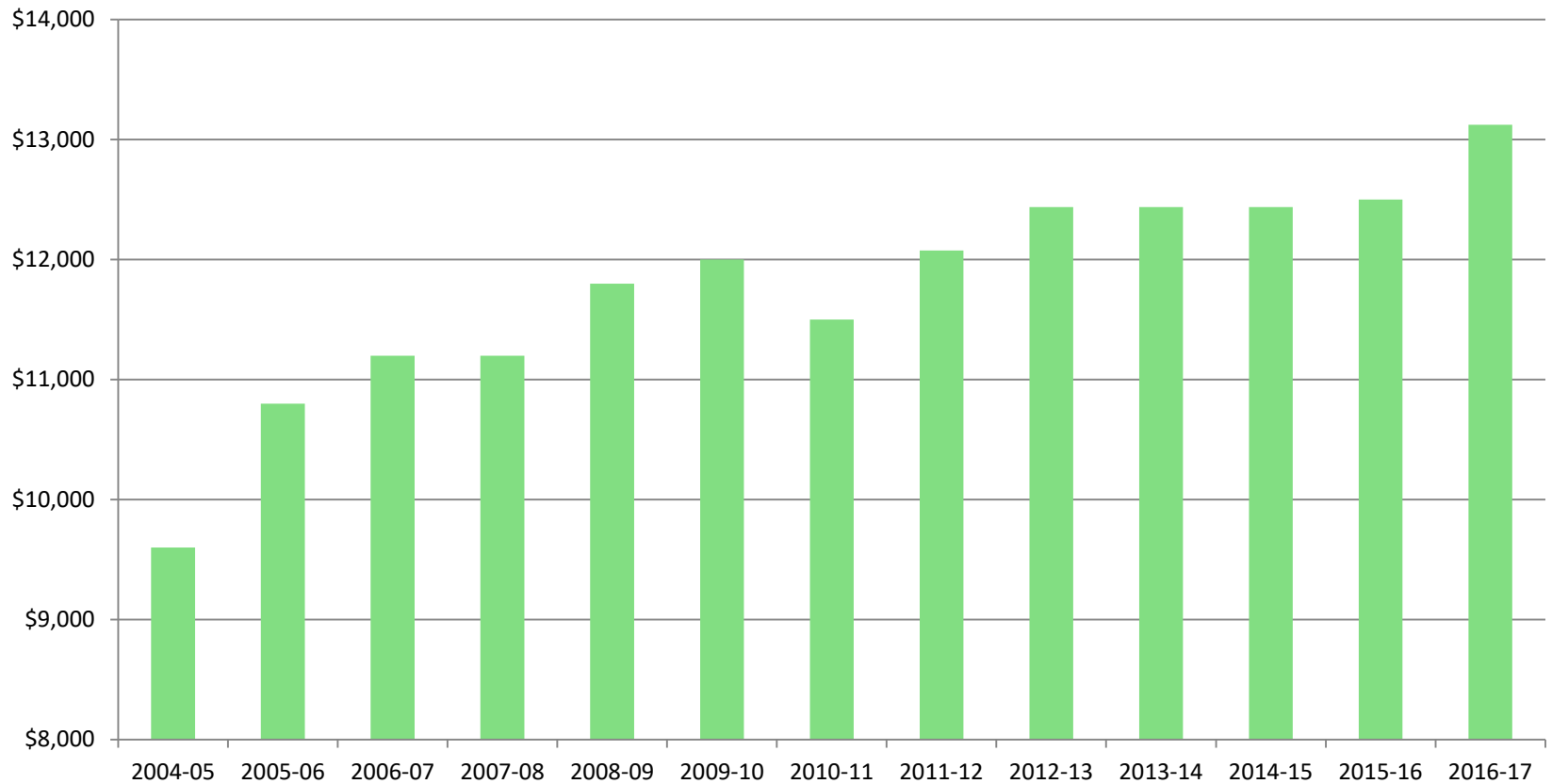
Social Security

- FICA – 6.2% of all salary up to the annual salary cap (\$127,200 for calendar year 2017)
- Medicare – 1.45% of all salary
- **Actual** cost, not allocated
- Some employees are exempt from Social Security such as students therefore the department will not see a charge
- Salary subject to Social Security may be reduced by certain pre-tax deductions causing a lower charge to the department

Miscellaneous Other

- Allocated charge, not actual
- 1.4 % of base salary
- Follows health eligibility – if no health charge, no miscellaneous charge
- Covers the cost of unemployment compensation, workers' compensation, long-term disability, life insurance, employee tuition reimbursement, longevity and vacation payouts at termination.

History of SI Health Rate



ACA HEALTH FEE

- Monthly fee of \$401.03 charged by KFS entry to object code 6645 ACA Health Fee
- Effective January 2015
- Fee is based on ELIGIBILITY for health benefits, not participation
- Department(s) responsible for fee: Primary org unit listed on the employee's active assignment(s) on the last day of each month
- If employee has more than one active assignment, the fee will be split EQUALLY among all employing departments
- Departments can provide an account for each unique org to be used for all ACA fees by contacting hr.ACAHealthFeeInfo@hr.msu.edu. If no account is provided, the department's central salary account will be charged
- Because the transaction will originate in KFS, departments can also move the charge after it has been processed
- For more detail on the fee: http://www.hr.msu.edu/healthystate/documents/ACA_FAQ.pdf

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Questions?

