



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

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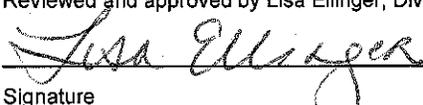
CORRESPONDENCE MEMORANDUM

DATE: February 15, 2012
TO: Employee Trust Funds Board
FROM: Marcia Blumer, Program Manager
Employee Reimbursement Accounts and Commuter Benefits Programs
SUBJECT: Employee Reimbursement Accounts and
Commuter Benefits Contract Extension

Staff requests the Employee Trust Funds Board approve a one year extension of the administrative services contract with Fringe Benefits Management Company, a Division of WageWorks (FBWW) and approve the proposed administrative fee increase for the Employee Reimbursement Accounts (ERA) Program and Commuter Benefits Program for the 2013 plan year (January 1 through December 31, 2013).

BACKGROUND

The contract for third-party administration of the ERA and Commuter Benefits Programs is with FBWW. The current contract term is from January 1, 2010, through December 31, 2012, with an option to extend the contract for two additional one year periods. The administrative fees for plan years 2010 through 2012 were set at \$4.77 per participant per month (pppm) for the ERA Program and \$5.10 ppm for the Commuter Benefits Program. The administrative expenses of the ERA Program are funded through three sources: account forfeitures, interest income on employee contributions, and fees contributed by each state agency. The administrative expenses of the Commuter Benefits Program are funded through interest income on the contributions and an annual charge to state agencies based on the number of employees who participate in the program. For the remaining contract term, the contract allows for a maximum percentage increase for a renewal to be limited to the increase in the U.S. All Items Consumer Price Index (CPI) for the time period beginning with the effective date of the contract to the effective date of the new contract, or new effective date for the rate increase.

Reviewed and approved by Lisa Ellinger, Division of Insurance Services

Signature
2/24/12
Date

Board	Mtg Date	Item #
ETF	3.8.12	5B

RECOMMENDATION

Effective January 1, 2013, FBWW has proposed an increase in the administrative fee of 1.6%. This will increase the cost of the ERA Program from \$4.77 ppm to \$4.85 ppm, and the Commuter Benefits Program rates will increase from \$5.10 ppm to \$5.18 ppm. Based on ERA Program participation of about 12,800 participants, the increased fee will result in an aggregate annual increase of approximately \$12,288. The increased fee for the Commuter Benefits Program will result in an aggregate annual increase of approximately \$1,230, based on a participation rate of 1,280 per month.

The Department of Employee Trust Funds' (ETF) experience with FBWW as the program administrator continues to be positive. A contract compliance audit performed by Wipfli LLP in 2010 found that the company administers the programs in compliance with applicable statutory and federal regulatory requirements. FBWW is responsive to the needs of the Wisconsin program and is currently working to implement online enhancements to improve claims processing and account information services to employees.

Staff recommends approving the contract extension for the period of January 1, 2013, through December 31, 2013. Staff also recommends approving the administrative fee increase to \$4.85 ppm for the Employee Reimbursement Accounts Program and \$5.18 ppm for the Commuter Benefits Program as outlined above.

ETF staff will be available at the meeting to answer any questions you may have.