



STATE OF WISCONSIN
Department of Employee Trust Funds
 David A. Stella
 SECRETARY

801 W Badger Road
 PO Box 7931
 Madison WI 53707-7931
 1-877-533-5020 (toll free)
 Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: February 29, 2008
TO: Employee Trust Funds Board
FROM: Marcia Blumer, Program Manager
 Employee Reimbursement Accounts Program
SUBJECT: Fringe Benefits Management Company

The Board is asked to approve the following recommendation.

Recommendation

The current contract with Fringe Benefits Management Company (FBMC) for administration of the Employee Reimbursement Accounts (ERA) Program and the Commuter Benefits Program runs from January 1, 2006, through December 31, 2008. The contract allows for two one-year extensions. **Staff recommends that the Board authorize a one-year extension of the current contract.**

Fringe Benefits Management Company

FBMC has been the administrator of the ERA Program since its inception in 1989. The current contract with FBMC provides for no administrative fee increase through 2010. The ERA Program administration fee includes a monthly base rate of \$16,625 plus \$1.65/participant/month for the first 8,000 participants and \$1.38/participant/month for each participant over 8,000. In addition to the monthly administrative fees, the contract requires that FBMC provide enrollment services for each plan year. Costs for enrollment services will also remain level at \$180,719 for the annual enrollment periods through the fall of 2010.

The Commuter Benefits Program was first offered to state employees in October 2002, following a statutory change allowing the Department to administer such a program. The contract with FBMC was amended at that time to provide program administration and is included in the current contract with FBMC. The cost of administering this program is \$6,133.08/month plus \$1.30/participant/month for the first 2,000 participants and \$1.00/participant/month for each participant over 2,000. Under the current contract, these costs will remain level through 2010.

The Department's experience with FBMC as program administrator has been positive. FBMC has demonstrated a willingness to adapt procedures to meet the needs of the Wisconsin program. A year ago, FBMC failed to meet the five-day claims processing turnaround time due to an unexpected and continuing increase in claims activity. FBMC implemented several initiatives to alleviate the backlog. These initiatives succeeded and have contributed to improved service through 2007.

Reviewed and approved by Tom Korpady, Administrator, Division of Insurance Services.

 Signature Date

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Plan Experience

In 2008, 12,694 employees enrolled in the ERA program, 10,947 employees have medical expense accounts and 2,202 have dependent care accounts. Contributions will total over \$14.5 million for medical reimbursement accounts and over \$8.8 million for dependent care accounts in 2008, resulting in a FICA savings of approximately to \$1.8 million to the State. As of January 2008, there are 1,339 Commuter Benefits participants.

The medical expense account forfeitures for the 2006 plan year were \$254,643 or about 1.8% of contributions. This is a slight increase from 2005 when forfeitures amounted to 1.3% of contributions. Dependent care expense account forfeitures totaled \$70,879.99 or about 0.8% of contributions. This compares with 0.6% experienced in 2005. Forfeiture amounts for the 2007 plan year will not be finalized until June 30, 2008.