

### 1.7.3 FRINGE BENEFITS

**Regular Payroll:** All regular payroll and fringe benefits must be requested in Object 01 - Salaries and Wages.

**Miscellaneous Adjustments (Comptroller Object 0110):** This object is for salary adjustments that are not categorized in any of the specific Object 01 Salaries and Wages Comptroller Objects.

**Accrued Leave Payout (Comptroller Object 0111):** This object is used for accrued leave payout for long-term employees who leave State service. Agencies should use this Comptroller Object to account for accrued leave payouts for the FY 2016 budget book appropriation and the FY 2017 budget request. Actual expenditures for FY 2015 will be included in 0101, Salary Payments.

**Please adhere to OMB Circular A-87, Title 2 of Code of Federal Regulations, when budgeting for accrued leave payouts related to federal funded positions.** Some portions of leave/severance payments cannot be charged directly to federal programs because such charges violate this regulation. The pertinent sections of the regulation are copied below.

Appendix B to Part 225, 8.d.:

(2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including Federal awards; and, (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.

(3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

(4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.

[http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105\\_a87.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a87.pdf)

**Reclassification (Comptroller Object 0112):** This is used for reclassifications and/or hiring a position above the base salary. Agencies should account for reclassification costs for the budget book appropriation and request years (actual expenditures will appear as salary payments) within the FY 2017 budget request. Please use a DA-2 form to justify the request.

**FICA Contributions (Comptroller Object 0151):** The following calculations are provided for non-HOBO users. The calculations are already included in the HOBO file.

FICA is calculated as follows:

- (1) Add the amounts in subobjects 0101, 0102, 0104, 0105, 0110, 0111, and 0112 for each position.
- (2) If the sum of the above subobjects for one position is equal to or less than \$124,789, multiply the sum by .0731. The result is the amount for 0151 for one position.
- (3) If the sum of the subobjects exceeds \$124,789:
  - (a) Multiply \$124,789 by .0731.
  - (b) Multiply the difference between the annual salary and \$124,789 by .0145.
  - (c) Add the result of these calculations to get the total 0151 for one position.

The rate and ceiling used for regular payroll employees reflect an adjustment for the non-taxability of certain employee-paid health insurance and "spending account" items.

**Employee Health Insurance (Comptroller Object 0152):** At this time, the rates for health insurance are still to be determined (TBD). Once the rates are determined, the cost per employee to be charged to the agency accounts by the Central Payroll Bureau, shall be calculated using the following formula (See DA-2A):

Actual Cost for subobject 0152 as reflected on Payroll Register as of 7/7/2015	÷	Eligible Employees on Payroll	X	24.07	X	TBD
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Nonbudgeted agencies should use this same calculation.

In unusual circumstances (e.g., higher education institutions) the 7/7/2015 payroll register may not be used. Please contact your DBM budget analyst for assistance concerning the appropriate payroll register date to use if there is an unusual circumstance that precludes using the pay period ending 7/7/2015.

For the formula above, and all budget request forms, the following definitions apply:

- **Eligible employees on payroll** – This number should be equal to the number of checks issued for a pay period to regular staff employed at a level of 50% or greater. This count does not include temporary employees (TEs), zero pays, and/or vacant positions.
- **TBD** – The inflation rate is yet to be determined.
- **Authorized positions of 0.5 or greater requested in budget** - The total number of PINs requested at an authorized level of 50% or greater where each PIN of 50% or greater is counted as one. Do not use a full-time-equivalent total.

**Retiree Health Insurance (Comptroller Object 0154):** The calculation for retiree health insurance charged to agency accounts by the Central Payroll Bureau has not yet been determined (See DA-2A):

Amount requested in subobject 0152 (employee health insurance)	X	TBD
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Note: Retiree health insurance amounts paid directly to vendors by the agency are to be requested in R\*STARS Comptroller Object 0153 and shall be calculated in accordance with each contractual agreement in effect. The terms of the agreement are to be specifically provided on a Form DA-2 along with the calculation used to arrive at the per-employee cost.

**A completed Form DA-2A (Budget Estimate) is to be included as part of the budget request for R\*STARS Comptroller Object 0152 and 0154. (See DA-2A form) Please be sure to include the percentage distribution of fund types (General, Special, Federal, Reimbursable).**

**Pay for Performance Bonuses (Comptroller Object 0156):** Do not budget in FY 2017.

**Other Post-Employment Benefits (Comptroller Object 0157):** Do not budget in FY 2017.

**Retirement/Pension Systems:** The amounts requested for retirement and pensions are to be calculated as follows:

Request amount of subobject 0101    **X**    Percentage listed in Standard Rates and Schedules  
(Section 2.2) for the specific retirement program as  
listed below

<u>SUBJECT</u>	<u>SUBJECT TITLE</u>
0161	Employee, Correctional Officer, and Legislative Retirement Systems
0163	Teachers' Retirement System
0165	State Police Retirement System
0166	Judges' Pension System (including Masters)
0167	Mass Transit Administration Pension System
0168	Optional Retirement/Pension System (TIAA)
0169	Natural Resources Law Enforcement Officer Pension System
0170	Other Retirement Systems
0171	Other Pension Systems

**Note: Comptroller Objects 0162 and 0164 are not to be used for requesting retirement and pension allowances.**

**Deferred Compensation (Comptroller Object 0172):** Do not budget in FY 2017.

**Unemployment Compensation Insurance (Comptroller Object 0174):** Amounts relating to the regular payroll shall be computed by:

Amount requested for Comptroller object 0101    **X**    Rate in Standard Rates and Schedules (Sec. 2.2)

**Workers' Compensation Premiums (Comptroller Object 0175):** Use the same General Fund and Non-General Fund amounts in the FY 2017 request as in the FY 2016 legislative appropriation. DBM will adjust this subobject after the FY 2017 budget submission. **This is the case even if you have information that the amount will be lower in FY 2017.**

**Turnover (Comptroller Object 0189):**

Turnover on existing positions should be set at “reasonable” levels that reflect normal resignation/recruitment activity at the program level. The turnover rate used for a subprogram (or program if subprograms are not used) must be reported in column 19 of the HOBO budget file and/or on a DA-2 (Budget Estimate). **Turnover should not be used as a “plug” figure to meet the GENERAL FUND target.**

- Turnover on existing positions should normally not exceed 4%, nor be less than 2%.
- Turnover for contractual conversions should be set at the levels used for existing permanent positions.
- New position turnover should generally equal **25%** to reflect the time that it commonly takes to establish and fill the position.

Turnover should be computed using the sum of the following Comptroller Objects:

- Regular Earnings (Comptroller Object 0101)
- Social Security Contributions (Comptroller Object 0151)
- All applicable retirement/pension systems (Comptroller Objects 0161-0171)
- Unemployment Insurance (Comptroller Object 0174)

**HEALTH INSURANCE (0152) AND STATE SUBSIDY FOR RETIREES’ HEALTH INSURANCE (0154) ARE NO LONGER INCLUDED IN THE TURNOVER CALCULATION.**

The following example should be used if turnover for new positions is combined with turnover on existing positions. The different rates and the amounts that apply should be reported.

\$335,623 (salary and fringes on current positions)     **X 3% for current positions**     =     \$10,069

added to

\$31,323 (salary and fringes of new positions)     **X 25% for new positions**     =     \$7,831

EQUALS TURNOVER OF     \$17,900

**The turnover amount should be entered as a negative amount in Comptroller Object 0189.**

**Do not use Comptroller Object 0192 unless you have received prior approval from DBM.**

**Other Fringe Benefit Costs (Comptroller Object 0199):** Use for fringe benefit costs that are not categorized within any of the specific Object 01, Salaries and Wages, Comptroller Objects. Agency should include supporting justification for such a request (HOB0 Column 19 or DA-2 form).

**For information regarding benefits for Contractual Employees, please see Section 1.8.**

**All fringe benefits rates are listed in Section 2.2.**