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STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

October 3, 2017

FINANCE MEMORANDUM

MEMO NO. 17-14

TO: All Department Heads

FROM: Wesley K. Machida *Wesley Machida*
Director of Finance

SUBJECT: Approved Fringe Benefit Rate for FY 17 and Revised Interim Fringe Benefit Rate for FY 18

A composite fringe benefit rate (RATE) of 55.48% has been approved by the U.S. Department of Health and Human Services (DHHS) for FY 17 (attached). Based on the approved FY 17 RATE, the interim FY 18 RATE has been revised. Until new fringe benefit rates are approved by DHHS, the following revised interim fringe benefit rates for FY 18 will be in effect:

	<u>Approved FY 17 Rate</u>	<u>Interim FY 18 Rate</u>	<u>Revised Interim FY 18 Rate</u>
Pension Accumulation*	17.00%	18.00%	18.00%
Pension Administration	0.00%	0.00%	0.00%
Retiree Health Insurance	9.39%	8.07%	9.39%
Employees' Health Fund	7.60%	7.62%	7.60%
Workers' Compensation	1.06%	1.27%	1.06%
Unemployment Compensation	0.09%	0.15%	0.09%
Social Security	6.20%	6.20%	6.20%
Medicare	1.45%	1.45%	1.45%
Other Post-Employment Benefits	<u>12.69%</u>	<u>7.78%</u>	<u>12.69%</u>
Composite Rate	55.48%	50.54%	56.48%

*During DHHS' review, it was disclosed that the actuary for the Hawaii Employees' Retirement System (ERS) was not tasked to compute the actuarially determined contribution rates for FY 15. As a result, the ERS instructed the actuary to go back and calculate the rates. Therefore, it was agreed that the review of the pension costs will be completed once the actuarially determined contribution rates are provided.

It is noted that for FY 18, the pension accumulation rates are as follows:

<u>Job Category</u>	<u>Employer Contribution Rate</u>	<u>Statutory Authorization</u>
General Employees	18.00%	Act 17, SLH 2017
Special Categories (Police Officers, Firefighters, and Corrections Officers)	28.00%	Act 17, SLH 2017
Retiree – Return to Work General Employees	14.20%	Not Applicable*
Retiree – Return to Work Special Categories (Police Officers, Firefighters, and Corrections Officers)	20.90%	Not Applicable*

*Retiree – Return to Work rates are determined by the Actuary.

Should you have any questions or require further information, please contact me, or your staff may contact Mr. Neal Miyahira, Administrator of this department's Budget, Program Planning and Management Division, at 586-1530.

Attachment