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EMPLOYEES' RETIREMENT SYSTEM
HAWAII PUBLIC EMPLOYEES HEALTH FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION

July 3, 2002

FINANCE MEMORANDUM

MEMO NO. 02-07

TO: All Department Heads

FROM: Stanley Shiraki
Director of Finance

SUBJECT: Fringe Benefit Rates for FY 03

A composite fringe benefit rate (RATE) of 32.22% has been approved by the U.S. Department of Health and Human Services (DHHS) for use during FY 03 (attached). The RATE consists of the following fringe benefit items and computed rates:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	8.87%
Pension Administration	.01%
Retiree Health Insurance	7.20%
Employees' Health Fund	8.28%
Workers' Compensation	.21%
Unemployment Compensation	.00%
Social Security	6.20%
Medicare	<u>1.45%</u>
Composite Rate	32.22%

The RATE will be formally published when the Statewide Central Services Cost Allocation Plan (SWCAP) for FY 03 is approved by DHHS.

The increase from the FY 02 RATE of 21.19% is primarily due to the increase in the pension accumulation (PA) rate from 0% to 8.87%. If you recall, the FY 02 PA rate had been reduced to account for the over-collections of PA in FY 00.

We realize that the increase in the RATE may pose difficulties for non-general funded programs during FY 03 budget execution. Staff from *this department's Budget, Program Planning and Management Division (BPPMD)* will be working with your budget staff to resolve problems that may arise.

Should you have any questions or require further information, please contact me, or your staff may contact Mr. Neal Miyahira, Administrator of BPPMD at 586-1530.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Service
Division of Cost Allocation

DCA Western Field Office
50 United Nations Plaza, Room 347
San Francisco, CA 94102

JUN 27 2002

Neal Miyahira, Director
Hawaii Dept. of Budget and Finance
P.O. Box 150
Honolulu, HI 96810-0150

Dear Mr. Miyahira:

Based on your Employee Benefit Rates Proposal for the fiscal year ending June 30, 2001, a composite fringe benefit rate of 32.22% is approved. The following assessment rate should be used for the period beginning July 1, 2002:

	(a)	(b)	(c)
Pension Accumulation	8.87%		
Pension Administration	.01%		
Social Security	6.20%		
Retiree Health Insurance	7.20%		
Worker's Compensation		.21%	
Unemployment Compensation		.00%	.00%

- (a) Percent of ERS covered wages.
- (b) Percent of total wages in assessed departments excluding Research Corporation of University of Hawaii (RCUH).
- (c) RCUH

The above rates will be formally published with your State-Wide Cost Allocation Plan for fiscal year 2003.

Sincerely,

David S. Low
Director