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

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

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

October 3, 2017

FINANCE MEMORANDUM

MEMO NO. 17-14

TO: All Department Heads

FROM: Wesley K. Machida /s/  
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



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center  
Financial Management Portfolio  
Cost Allocation Services

90 7<sup>th</sup> Street, Suite 4-600  
San Francisco, CA 94103-6705  
PHONE: (415) 437-7820  
FAX: (415) 437-7823  
EMAIL: CAS-SF@psc.hhs.gov

September 29, 2017

Wesley K. Machida  
Director of Finance  
Hawaii Department of Budget and Finance  
P.O. Box 150  
Honolulu, HI 96810-0150

Dear Mr. Machida:

Based on the State of Hawaii's Fringe Benefit Rates Proposal for the fiscal year ending June 30, 2017, a composite fringe benefit rate of 55.48% is approved with the exception listed below. The proposal submitted by the State's consultant, William Maus of MAXIMUS, was received on October 21, 2016. The following assessment rates should be used for the period beginning July 1, 2016:

Pension Accumulation	17.00%*
Pension Administration	0.00%
Social Security	6.20%
Medicare	1.45%
Active Employee Health Insurance (For Budgeting Purposes Only)	7.60%**
Retiree Health Insurance	9.39%
Other Post-Retirement Benefits	12.69%
Workers' Compensation	1.06%
Unemployment Compensation	0.09%

\* During our 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 fiscal year (FY) 2015. 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.

\*\* The rate should only be used for budgeting purposes. The departments are instructed to charge actual costs as assessed through the payroll system.

The above rates will be published with your negotiated State-wide Cost Allocation Plan agreement for fiscal year 2017.

Sincerely,

Arif M. Karim Digitally signed by Arif M. Karim - A  
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ou=PSC, ou=People, cn=Arif M. Karim - A,  
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Arif Karim, Director  
Cost Allocation Services