

Board	Mtg Date	Item #
ETF	6/20/2003	8

**STATE OF WISCONSIN  
DEPARTMENT OF EMPLOYEE TRUST FUNDS  
801 West Badger Road  
Madison, WI 53702**

**CORRESPONDENCE MEMORANDUM**

---

**DATE:** June 20, 2003

**TO:** Employee Trust Funds Board

**FROM:** Marcia Blumer, Manager  
Employee Reimbursement Accounts Program

**SUBJECT:** Employee Reimbursement Accounts (ERA) Program  
Commuter Benefits Program

**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, 2001 through December 31, 2003 with two one-year extensions possible. **Staff recommends that the Board authorize a two-year extension of the current contract.**

**Employee Reimbursement Accounts (ERA) Program**

Fringe Benefits Management Company (FBMC) has been the administrator of the ERA program since its inception in 1989. In 2003, 10,583 employees participate in the program—9,653 have medical expense accounts and 2,061 have dependent care accounts. Contributions to the reimbursement accounts will be close to \$18 million in 2003, resulting in a FICA savings to the State of close to \$1.4 million.

The current contract with FBMC provides for no administrative cost increase through 2005. The State pays FBMC a monthly administrative fee that 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 participants over 8,000.

The contract provisions require that FBMC provide enrollment services for each plan year. In addition to the monthly administrative fee, the current contract provides that the State pay FBMC \$180,719 for the costs associated with the open enrollment periods through the fall of 2004.

Board	Mtg Date	Item #
ETF	6/20/2003	8

### **Commuter Benefits Program**

The current contract with FBMC was amended in December 2001 to add administration of the Commuter Benefits program. This followed a statutory change allowing the Department to administer such a program. The contract amendment provides for a level cost for administering this program through 2005—a monthly administrative fee of \$5,408.33, plus \$2.90/participant/month for the first 2,000 participants and \$2.60/participant/month for participants over 2,000.

Since the program began in October 2002, participation has been somewhat below projections, but has been gaining steadily over time. As of April 11, 2003, there are 1,215 participants. The low number can be partially attributed to the fact that UW-Madison now provides all UW employees with employer-paid bus passes which has eliminated hundreds of potential program participants. Also, because there is no enrollment deadline, employees may be taking a “wait and see” approach before enrolling.

### **FBMC's Performance**

The Department's experience with FBMC as program administrator has continued to be positive. As the ERA program has matured, FBMC has demonstrated a willingness to adapt their procedures to meet the needs of the Wisconsin program to ensure participant satisfaction. The performance standards and guarantees have consistently been met or exceeded. FBMC staff has been responsive during the implementation of the Commuter Benefits program and has addressed program “glitches” as necessary to ensure a smooth-running program.