



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: August 26, 2004
TO: Employee Trust Funds Board
FROM: Marcia Blumer, Program Manager
Employee Reimbursement Accounts Program
SUBJECT: Employee Reimbursement Accounts

Administrative Fee

No change is recommended for the Employee Reimbursement Accounts (ERA) program administrative fee charged to state agencies. The fee will remain at \$0.60 per state health insurance contract per month for the 2005 plan year.

The administrative expenses of the ERA program are funded through three sources: account forfeitures, interest income, and fees contributed by each state agency. Wis. Stat. 40.875(1)(a) authorizes ETF to determine a fee amount that is equal to the agency's share of the program costs. Ever since the program began in 1990, state agencies have contributed a monthly fee based on the number of health insurance contracts that have an employer-paid share reported to ETF.

According to Bob Willett, ETF Controller, the anticipated reserve balance at the end of 2004 will be approximately \$315,000. Of this amount, \$195,000 is used for a cash advance to Fringe Benefits Management Company and the remaining \$120,000 is surplus, slightly over our target balance of \$100,000. The fee of \$0.60 per month will maintain the reserve balance at approximately the current level. The actual ending balance is affected somewhat by the rate of interest earned on our accounts and the level of forfeitures.

Our latest experience continues to suggest that our fee will remain in the \$0.60 to \$0.70 range. If program changes result in substantially lower annual forfeitures or if the cost of the administrative services contract rises significantly, the fee is likely to increase. However, if interest earnings and forfeitures are sufficient to maintain the current reserve balance, the fee will remain at \$0.60 indefinitely.

Open Enrollment

The ERA open enrollment period of the 2005 plan year is scheduled for October 11 through November 12, 2004. Enrollment will again be accomplished electronically, either through the telephone IVR system or the Internet.

Reviewed and approved by Tom Korpady,
Administrator, Division of Insurance Services.

Signature

Date

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