



Development Services, Customized Solutions

SCT Banner® Human Resources
Eastern Michigan University
EMU-001 Life Insurance Calculation

Functional
Specification
Version 2.00

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SCT Banner® Human Resources
Eastern Michigan University
Functional Specification

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Specification Summary – EMU-001 Life Insurance Calculation

Executive Summary

Introduction

This functional specification will describe the functional changes required to meet the needs of EMU’s Life Insurance calculation rules. The details described in this document will be further refined during the Technical Specification and development phases.

Overview

Eastern Michigan University is contractually obligated to calculate life insurance Coverage Amounts based on an employee’s annual salary rounded to the nearest \$1000 times two. Current Banner functionality using Calculation Rule 50 is programmed to calculate the life insurance Coverage Amount by first multiplying the employee’s annual salary by a factor and then rounding. Consequently, EMU requires a modification to the Banner System that will:

1. Provide the ability to calculate Life Insurance Coverage Amounts based on the formula: Annual Salary, rounded as defined on the Life Insurance Rule Form (PTRLIFI) * the factor, as defined on the Premium Rule Form (PTRPREM).
2. Provide the ability to calculate the taxable premium for life insurance based the Coverage Amount using the formula in requirement 1.

Scope

Banner functionality will not change as a result of this modification. The life insurance process and rule set-ups will remain the same. The changes required will be made to the Life Insurance Calculation Process and will be transparent to the user, except that the resulting Premium Amount will reflect the change in the coverage amount formula.

- Modify the Life Insurance Calculation Process (PDPLIFE) when calculating Coverage Amounts using Calc Rule 50.
- Modify the Life Insurance Calculation Process (PDPLIFE) to calculate the taxable premium based on the coverage amount using the formula described above.

Terminology

Acronym or Term	Definition

Base Assumptions

1. The solution described above will be developed in Banner Human Resources Release 5.3.
2. No additional Calculation Rules are required to meet the requirements.
3. No additional training is required.
4. There is no requirement to use the baseline Calc Rule 50 method for calculating Life Insurance Coverage at EMU.

Concerns

None

Security

No changes to existing security are planned.

Site Policy Impact

None

System Environment

Payroll	Position Control	General
5.3	5.3	5.4

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Functional Changes

Forms

Modified - N/A

New – N/A

Web Pages

Modified – N/A

New – N/A

Processes

Modified

Life Insurance Calculation Process (PDPLIFE)

1. The Life Insurance Calculation Process will be renamed to PWPLIFE to identify it as a modified version of the baseline process.
2. The formula used to calculate Coverage Amounts using Calc Rule 50 will be modified to round the employee's annual salary first, using the rules defined on the Life Insurance Rule Form (PTRLIFI). [Note: the formula will also use the PTRLIFI Form to determine which Jobs - Primary, Secondary or Overload - should be included in the calculation. This functionality is included in the baseline product and will not change.] The result will then be multiplied by the factor defined on the Premium Rule Form (PTRPREM). The result is then checked against the minimum and maximum amounts defined on the Life Insurance Rule Form (PTRLIFI) and adjusted accordingly.
3. The Life Insurance Calculation Process (PWPLIFE) will be modified to calculate the taxable premium based on the Coverage Amount calculated by the formula defined in Number 2 above.

All other functionality remains the same as defined by the baseline product, including;

- PWPLIFE can be submitted through Job Submission and the Parameters remain the same as in the baseline product.
- The Life Insurance Calc Process Parameter Rule Form (PTRLIFE) will be used to identify the Insurance Salary Effective Date and the Age Effective Date when calculating the Coverage Amount in Step 2 above.
- The set-up steps, including the set-up for Benefit/Deduction codes using Calc Rule 50 and 54 (Imputed Income) remain the same as the baseline product. See the Functional Process Flow section later in this document for set-up instructions.

New – N/A

Reports

Modified – N/A

New – N/A

Database

Tables

Modified – N/A

New – N/A

Views

Modified – N/A

New – N/A

Functions

Modified – N/A

New – N/A

Procedures

Modified – N/A

New – N/A

Packages

Modified – N/A

New – N/A

Other

Modified – N/A

New – N/A

Functional Process Flow

This is the baseline set-up process for Life Insurance using Calc Rule 50. There are no changes required to the user set-up steps because of this modification.

Factor times Annual Salary (Calc Rule 50)

The life insurance coverage amount is determined by rounding the employee's salary according to the rules defined on the Life Insurance Rule Form (PTRLIFI). The result is then multiplied times the applicable coverage factor as defined on the Life Insurance Premium Rule Form (PTRPREM). The result is then checked to insure it is within the range specified via the minimum and maximum coverage amounts on the Life Insurance Rule Form (PTRLIFI). The coverage amount can be fixed for the year (fixed life) or variable to reflect an employee's salary changes. In addition, premium and/or coverage amounts based on age can be fixed, or they can be variable to reflect an employee's change in age during a given year. Coverage can be for either the employee or his/her dependents.

A. Set up the following rule forms:

1. Set up the Benefit/Deduction Rule Form (PTRBDCA)

(a) Set up the Benefit/Deduction Rule Form (PTRBDCA) with a unique code using Calc Rule 50. Plans may be used, but no amounts should be entered on PTRBDCA.

In the **Deduction Type** field, enter *15* if this code is used for taxable employee coverage, *16* if it is used for taxable dependent coverage, *25* if it is used for non-taxable employee coverage, or *26* if it is used for nontaxable dependent coverage.

In the frequency indicator fields, identify from which pays of the month the premium should be taken.

For amount indicators 1-4, enter *O*, *S*, *S*, and *S*, respectively. (*O* identifies an optional entry and *S* identifies a system generated entry.)

For the option code 1 indicator, you can enter *N* (for no entry) or *O* (for an optional entry). The indicators for option codes 2 - 4 should each be *N*.

The indicator for option code 5 should always be *S* (for a system generated entry). The system uses option code *S* to distinguish employee paid coverage from employer paid coverage. This field is maintained by the Life Insurance Calculation Process(PWPLIFE).

(b) Set up the Benefit/Deduction Rule Form (PTRBDCA) with a unique code to be used for an excess taxable premium (imputed) amount calculated by the modified Life Insurance Calculation Process, PWPLIFE. Associate Calc Rule 54 with this code. Note that only one Calc Rule 54 deduction is allowed per installation.

The Deduction Type should be *13*, Insurance over \$50,000 Coverage.

The frequencies indicators should have only one *Y* to indicate during which pay period of the month the taxable premium will be imputed.

2. Set up the Life Insurance Rule Form (PTRLIFI).

Enter the Deduction Code you defined in Step 1(a)

If applicable, enter the code identifying the plan associated with the identified life insurance benefit.

At the **E/I** field, tell whether the premium will be paid by the employee or by the institution.

Indicate whether Primary, Secondary or Overload jobs should be included in the calculation of an employee's annual salary, which is used in the calculation of insurance salary.

Enter the rounding indicator: *U*, *D*, or *N* (for up, down, or nearest, respectively).

Enter the rounding amount.

Enter the minimum and maximum amounts of coverage an employee can have.

3. Set up the Premium Rule Form (PTRPREM) for the Benefit/Deduction code you defined in Step 1(a).

At the **Age From**, **Age To**, and **Coverage Factor** fields, indicate by age range the factor by which the employee's annual salary should be multiplied to determine the coverage amount. If age is not a factor, enter a range of 0–100.

Enter the premium rate per \$1000 of coverage per frequency per month.

4. Check the Tax Free Coverage Amounts on the Installation Rule Form (PTRINST) to make sure the amounts entered reflect the government-defined tax-free coverage amounts for employees and their dependents.
5. Check the Taxable Life Insurance Premium Rule Form (PTRGTAX) to insure that it is set up properly to reflect the government-defined premium per \$1000 of insurance per month by age.
6. Set up the Benefit Payroll Frequency Rule Form (PTRBDFQ) for the Benefit/Deduction code you defined in Step 1(a) that uses Calc Rule 50.

Define how many times in each month the deduction will be taken. The system multiplies the calculated premium by this factor to determine the total monthly premium. The result is used for tax calculation purposes.

7. Add the Benefit/Deduction code defined in Step 1(b) to the Benefit/Deduction Inclusions block on the Benefit/Deductions Rule Form (PTRBDCA) for all the taxes for which the life insurance taxable premium should be calculated.
8. On the Benefit Category Rule Form (PTRBCAT), both Benefit/Deduction codes you defined in Step 1 to the Benefit Categories to which they apply.

B. Set up the employee who has elected life insurance coverage.

1. On PDAEDN, assign the employee to the Benefit/Deduction code you defined in Step 1(a). If you wish to override the system calculated coverage amount enter the employee's coverage amount in Amount 1.
2. Assign the employee to the Benefit/Deduction code you defined in Step 1(b).

C. Run the modified Life Insurance Calculation Process (PWPLIFE) and the baseline Report (PDRLIFE) once each month at the beginning of the month, before any payrolls have been run for the month.

The PWPLIFE process determines Coverage Amounts, Premium Amounts, and Taxable Premium Amounts and compares them to existing amounts on the Employee Deduction Form (PDAEDN) Deduction block for deductions set up in Steps B1 and B2. If any of the amounts are different, the process creates a new record in the Deduction block with the effective date you enter at the Deduction Effective Date prompt described below.

1. Establish the effective date parameters on the Life Insurance Calculation Process Parameter Rule Form (PTRLIFE) for the life insurance deduction code and all applicable plan codes created in step 1(a). The effective dates serve as parameters for the modified Life Insurance Calculation Process (PWPLIFE). The two parameter dates are:
 - Insurance Salary Effective Date - This is the “as of” date used in conjunction with the following data to determine the annual salary of an employee: the Primary, Secondary, and Overload Indicators specified on the Life Insurance Rule Form (PTRLIFE) and the contract type entered on the Employee Jobs Form (NBAJOBS) for that employee.
 - Age Effective Date - This is the “as of” date used to determine the age of the employee or dependent for premium and/or coverage (calc rule 53) calculations based on rules defined on PTRPREM.

The navigation frame of PTRLIFE lists two special functions that can be utilized to simplify the maintenance of these dates:

- Add Month to Salary or Age Eff Date - When the cursor is positioned in either the **Ins Salary Eff Date** or **Age Eff Date** fields, this function increases the current date in the respective field by one month.
- Add Month to Both Effective Dates - When the cursor is positioned on any field within the current record, this function increases both the **Ins Salary Eff Date** and the **Age Eff Date** current dates by one month.

Note that if the current value is the last date of the month, each function automatically changes the date to the last date of the next month. For example, each function would change 29-FEB-1996 to 31-MAR-1996.

For variable life insurance deductions, you should change the effective dates each month that you run PWPLIFE. For example, if you are running PWPLIFE to calculate coverage and premium amounts for the month of July, 1996, the Insurance Salary Effective Date and the Age Effective Date should each be 01-JUL-1996. For August, the dates should each be 01-AUG-1996.

For fixed life insurance deductions, the effective dates should remain the same throughout the year. For example, if your site calculates insurance salary and premium age as of May 1 for fixed life insurance, each of the effective dates should remain 01-MAY-1996 between 01-MAY-1996 and 30-APR-1997. Whenever PWPLIFE is run during that period, it will select the employee’s annual salary as of 01-MAY-1996. The age of an employee or dependent will be calculated as of the same date. When a new hire's job begins after 01-MAY-1996, PWPLIFE will use salary data from that employee's first job record effective after 01-MAY-1996 to determine his/her insurance salary.

The effective dates for a plan involving fixed and variable deductions can each be different, and both

do not necessarily have to change every month. For example, if the plan requires premium age to always be calculated based on age at January 1 of a given year and insurance salary to be calculated as of the first of the each month, then the Age Effective Date should be updated once annually and the Insurance Salary Effective Date should be updated once monthly.

2. Submit the modified Life Insurance Calculation Process (PWPLIFE). Enter the following parameter:

Deduction Effective Date - Enter the date that will be entered onto the Employee Deduction Form (PDADEDN) Deduction block with the system calculated Premium Amount and Coverage Amount for the deduction set up in step B1, and with the new taxable premium amount to be entered on the deduction set up in Step B2.

For example, if you are running PWPLIFE to calculate Coverage Amounts, Premium Amounts, and Taxable Premium Amounts for the month of July 1996, the value in the **Deduction Effective Date** field should probably be 01-JUL-1996. This date will change for each month being run.

3. Run the Life Insurance Calculation Report (PDRLIFE) to display the results of the modified Process (PWPLIFE) from Step C2.



Appendices

Appendix A – Miscellaneous Contract Information

Appendix B – Approvals

Appendix C – Publication Record

Appendix A – Miscellaneous Contract Information

This section identifies supplemental information related to the proposed modification.

Modification Data

Modification ID:	EMU-001
Project Manager	Ted Wolverton
Functional Lead:	Erik Schwarz
Technical Lead:	Jan Wheeler
Product(s) Targeted for Modification:	Banner Human Resources
Intended Release:	Banner HR 5.3

Institutional Data

Institution Name:	Eastern Michigan University
Product(s) Currently in Use:	

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Appendix B – Approvals

This section includes signature blocks for the author and those that will approve the Functional Specification document as an accurate basis for detailed design and construction.

Requirement Approval		
Title	Endorsements	Date
Client Representative	Name: Gary Carlson	
	Signature:	
SCT Functional Consultant	Name: Erik Schwarz	
	Signature:	
SCT Practice Manager Or SCT Project Manager	Name: Carrie Silliman	
	Signature:	



Appendix C – Publication Record

This Appendix lists the versions of the document, publication dates, and a comment for each release.

Document Version	Publication Date	Comments
0.10	10/29/02	First Draft.
1.00	11/4/02	First version sent to EMU
2.00	11/4/02	Cleaned up typo's. Clarified that Mod will be applied to ver 5.3 of Banner HR. Added assumption to indicate that baseline method for Calc Rule 50 will no longer work after modification is in place.

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