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|----------------------|---|
| Title | Prorate Protocol/Procedures |
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| Copyright | South Dakota Board of Regents |
| Process Owner | Janice Minder, Director – Human Resources, SDBOR |
| Dept/Division | Human Resources/Shared Payroll Center |
| Processes | PZRPRTS, PZRPRTD, PZRPRTT |

Prorate Description

The Higher Education System – 6 Universities and 2 Special Schools – have employees that are considered full time employees but are paid less than 12 months. Typically, these only include our Faculty and Teachers. The potential contract periods include: 9 Months, 10 Months, and 11 Months.

The Bureau of Personnel (BOP) requires that health benefits be paid over 12 payrolls regardless of the contract for the full-time employee. Therefore, the Regental System had to develop a process by which employees paid their benefits to the Regents and the Regents paid the Bureau of Personnel over the 12 payrolls.

This white paper is to provide direction on prorates and how to reconcile those prorates in Banner.

Prorate Definitions

Employees Eligible for Prorates – These are employees that are paid less than 12 months in payroll. Typically, these employees include Faculty 9, 10, and 11 month that are not on deferred pay.

HEALTH Plan – This is the benefit plan that include BOP Health, Life and Long Term Care as well as Reliastar. This plan is on an Academic Year.

FLEX – This is the benefit plan that includes all of the BOP supplemental health products such as Dental, Vision, etc. This plan is on a Fiscal Year.

Refund – This is where an employee or the employer paid too much to the Bureau of Personnel. A refund must always be completed on the Employer BDCA code as these are the only ones that cross the interface. Institutions will need to monitor if the refund should go to the employee or the employer.

Double Deduction – This typically occurs when an employee is hired after the payroll period and therefore, the first payroll deduction was missed. The employee owes the Bureau of Personnel the double deduction not the employer.

Parameters for Reports

PZRPRTS

1. Employer – EMPR is the employer code you wish to run the report. This is based on PHRDEDN EMPR which is the PTREMPR Code –BOR, BHSU, DSU, NSU, SDSU, USD, SDSD, SDVI and SDMT.
2. Product Type – This is for the product type you wish to review. FLEX is for the Voluntary Benefits, HEALTH is for the Health Benefits, and BOTH are for BOTH Flex and Health.

3. Year – This is the AY and FY. So, if you enter 2007, then it will pull in AY 06-07 and FY07.

PZRPRTD

1. Employee ID – This is the A_ID of the employee that you want to pull the detail into the report.
2. Product Type – This is for the product type you wish to review. FLEX is for the Voluntary Benefits, HEALTH is for the Health Benefits, and BOTH are for BOTH Flex and Health.
3. Year – This is the AY and FY. So, if you enter 2007, then it will pull in AY 06-07 and FY07.

PZRPRTT

1. Employer – EMPR is the employer code you wish to run the report. This is based on PHRDEDN EMPR which is the PTREMPR Code –BOR, BHSU, DSU, NSU, SDSU, USD, SDSD, SDVI and SDMT.
2. Product Type – This is for the product type you wish to review. FLEX is for the Voluntary Benefits, HEALTH is for the Health Benefits, and BOTH are for BOTH Flex and Health.
3. Year – This is the AY and FY. So, if you enter 2007, then it will pull in AY 06-07 and FY07.

Prorate Reporting Summary

1. PTRPRTS – This report is a high level summary of HEALTH and FLEX benefits that do not reconcile to 0.00. This report will not provide differences of less than \$0.10.
2. PTRPRTD – This report is a detail of an individual pulling both HEALTH and FLEX so they can be reviewed in light of the non-reconciliation from PTRPRTS.
3. PTRPRTT – This is a report of totals only. This report will allow campuses to monitor by total only the amount paid by the Employee and the amount paid by the Employer.

Prorate Data Source

1. PZRPRTS – This report is pulled from NZRSRPT, PHRDEDN (PHAHOUR), and SPRIDEN (PPAIDEN).
2. PZRPRTD – This report is pulled from PERDTOT (PEIDTOT), and SPRIDEN (PPAIDEN).
3. PZRPRTT – This report is pulled from NZRSRPT and PHRDEDN (PHAHOUR).

Prorate Reporting Examples**PZRPRTS**

Summary of total benefits excluded ELER (Employer Paid Benefits 202, 203, 204, and 208). When running this for AY 07-08, you will note there is a difference. Then when running for 08-09, you will note there is the exact difference. Over two years, this employee balances out and the reconciliation is 0.00.

| AY 2007-08 | EE First Last Name | PIDM | EE Paid | ER Paid | Difference |
|------------|--------------------|-------------|----------|-----------|------------|
| A00003678 | | HLTH | 2,342.64 | -2,362.16 | -19.52 |
| AY 2008-09 | EE First Last Name | PIDM | EE Paid | ER Paid | Difference |
| A00003678 | | HLTH | 3,062.32 | -3,042.80 | 19.52 |

PZRPRTD

Detail of all benefits for employee by Year. I removed the employee information from the report and am showing only a portion of this report.

| DESC | YEAR MONTH | EE_AMOUNT | ER_AMOUNT | EE_REFUND | EE_DOUBLE_DEDUCT |
|----------------|------------|-----------|-----------|-----------|------------------|
| HLTH | 2008 9 | 326.99 | 204.98 | .00 | .00 |
| HLTH | 2008 10 | 307.47 | 204.98 | .00 | .00 |
| HLTH | 2008 11 | 307.47 | 204.98 | .00 | .00 |
| HLTH | 2008 12 | 307.47 | 204.98 | .00 | .00 |
| HLTH | 2009 1 | 701.48 | 277.86 | .00 | 145.76 |
| HLTH | 2009 2 | 416.79 | 277.86 | .00 | .00 |
| HLTH | 2009 3 | 416.79 | 277.86 | .00 | .00 |
| HLTH | 2009 4 | 416.79 | 277.86 | .00 | .00 |
| HLTH | 2009 5 | .00 | 277.86 | .00 | .00 |
| HLTH | 2009 6 | -138.93 | 277.86 | .00 | .00 |
| HLTH | 2009 7 | .00 | 277.86 | .00 | .00 |
| HLTH | 2009 8 | .00 | 277.86 | .00 | .00 |
| TOTAL FOR HLTH | | 3,062.32 | 3,042.80 | .00 | 145.76 |

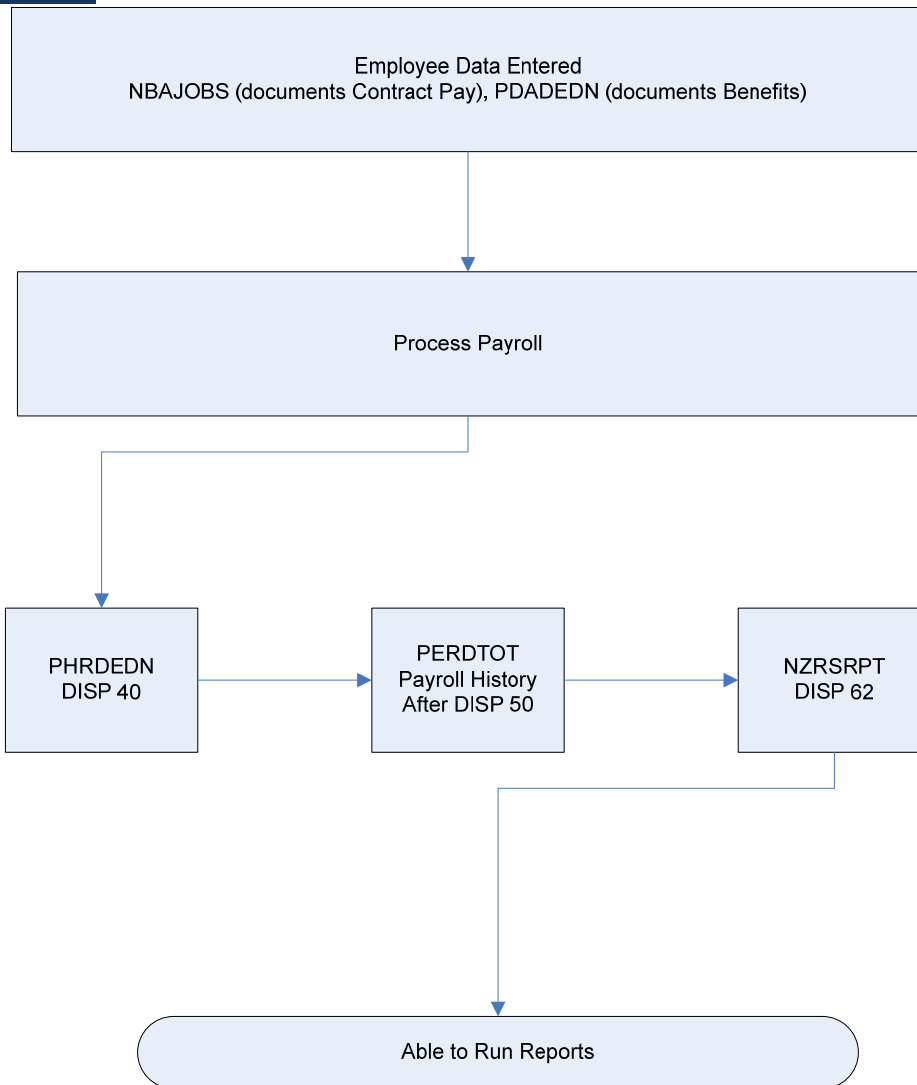
PZRPRTT

This report will provide the institution totals of the balance paid by the Employee to BOR and by the Employer to BOP. You will note the example below is a partial year. Employee payments will exceed the payment made to the Employer due to the payments of prorates occur at a higher percentage than the payment made to BOP from the employer.

| AY 2009-10 | HEALTH | | | |
|------------|-----------|------------|------------|--|
| University | Employee | Employer | Difference | |
| EMPR | 52,835.65 | -34,539.18 | 18,296.47 | |

| For : Fiscal Year 2010 | Flex | | | |
|------------------------|-----------|------------|------------|--|
| University | Employee | Employer | Difference | |
| EMPR | 36,041.01 | -32,792.18 | 3,248.83 | |

Prorate Workflow



Prorate Benefit PTRBDCA Code Relationship

| Description | 12 Pay Regular Premium | | Plan Year | 8 Pay | 8 Pay/12 Pay |
|---|------------------------|--------------|----------------|---------------|---------------------|
| | ER Paid | EE Paid | | EE Receivable | ER Payment to State |
| 8 Pay Employees – Employees paid less than 12 pays | | | | | |
| Health Insurance Opt Out | *208 ELER | *200 HLTH | Sept - Aug | | |
| Health Provider Network | 202 ELER | | Sept - Aug | 211 HLTH | 212 HLTH |
| Health \$1,000 Deductible Plan | *203 ELER | | Sept - Aug | 221 HLTH | 222 HLTH |
| Health \$2,000 Deductible Plan | *204 ELER | | Sept - Aug | 231 HLTH | 232 HLTH |
| Smoker Fee | | | Sept - Aug | 206 HLTU | 207 HLTU |
| Dental | | | July - June | 241 DNLT | 261 DNLT |
| Vision | | | July - June | 242 VISN | 262 VISN |
| Major Injury | | | July - June | 243 MJIN | 263 MJIN |
| Hospital Income Protection | | | July - June | 244 HOSP | 264 HOSP |
| Disability Income Plan | | | July - June | 245 DIST | 265 DIST |
| Medical Reimbursement - Opt Out,1000,2000 NOT USED | *201 | | Sept - Aug | 298 MEDC | 299 MEDC |
| Medical Reimbursement | | | July - June | 246 MEDR | 266 MEDR |
| Dependent Care Reimbursement | | | July - June | 247 DEPR | 267 DEPR |
| Old Dependent Life | | | Sept - Aug | 276 DLSU | 286 DLSU |
| State Extra Life | | | Sept - Aug | 277 ELSU | 287 ELSU |
| State Dependent Life | | | Sept - Aug | 278 DLSU | 288 DLSU |
| Long Term Care Insurance | | | Sept - Aug | 279 LTC | 274 LTC |
| Reliastar Triterm Life Insurance | | | Sept - Aug | 281 RTTL | 283 RTTL |

The full document on Benefit Prorates can be found at the following URL:
http://mytraining.sdbor.edu/resources/banner/HR/WhitePaper_Benefit_Elections12_Pay8_Pay.pdf.

EE Payment versus ER Payment to State Explanation

Faculty, regardless of the plan (health or flex), pay their premium to the Board of Regents from September through April. This equals 8 payments over the 9 month average faculty contract. The Employer then pays the 12 month premium to the state. In the example below, the employee selected dependent health through the state and the premium amount is \$100.00 (\$1200 per plan year). The employee also selected Medical Reimbursement for \$50.00 per month (\$600 per plan year).

Employee Pays Regents

| | |
|--------------|------------------|
| Payroll 9 | \$225 |
| Payroll 10 | \$225 |
| Payroll 11 | \$225 |
| Payroll 12 | \$225 |
| Payroll 1 | \$225 |
| Payroll 2 | \$225 |
| Payroll 3 | \$225 |
| Payroll 4 | \$225 |
| <u>Total</u> | <u>\$1800.00</u> |

Employer Pays BOP HEALTH

| | |
|--------------|------------------|
| Payroll 9 | \$100 |
| Payroll 10 | \$100 |
| Payroll 11 | \$100 |
| Payroll 12 | \$100 |
| Payroll 1 | \$100 |
| Payroll 2 | \$100 |
| Payroll 3 | \$100 |
| Payroll 4 | \$100 |
| Payroll 5 | \$100 |
| Payroll 6 | \$100 |
| Payroll 7 | \$100 |
| Payroll 8 | \$100 |
| <u>Total</u> | <u>\$1200.00</u> |

Employer Pays BOP FLEX

| | |
|--------------|-----------------|
| Payroll 7 | \$50 |
| Payroll 8 | \$50 |
| Payroll 9 | \$50 |
| Payroll 10 | \$50 |
| Payroll 11 | \$50 |
| Payroll 12 | \$50 |
| Payroll 1 | \$50 |
| Payroll 2 | \$50 |
| Payroll 3 | \$50 |
| Payroll 4 | \$50 |
| Payroll 5 | \$50 |
| Payroll 6 | \$50 |
| <u>Total</u> | <u>\$600.00</u> |

| | |
|--------------|-----------------------------------|
| Total | \$1800.00 Paid by Employer |
| Total | \$1800.00 Paid by Employee |

Employee's prorate is calculated at 1.5 times the monthly premium to ensure that the payment is made with in 8 payroll periods. In the example above, the employee selected 100.00 for health and 50.00 for flex. This is a total of 150.00 per 12 months. To arrive at the accurate 8 month premium, the interface calculates the monthly premium and multiplies by 1.5. So the premium for the 8 pay, is inflated to equate to a 12-month premium paid over 8 months.

EE Calc. (\$150.00 * 1.5 = \$225.00) OR (\$225 * 8 = \$1800.00)
 BOP Calc. (\$100.00*12 = \$1200.00) + (\$50.00 * 12 = \$600.00) = \$1800.00

Benefit Interface from BOP – PZRHLTW/PZRHLTA

This is the interface that we receive weekly and annually from the Bureau of Personnel. It is designed to calculate the correct prorate amount and to ensure that the right Benefit Code is tied together with the employee. Therefore, if they select dental, then the program knows if they are less than 12 pay on the Primary and Secondary job, they must have the BDCA 241 and 261. If they selected the 2000 Deductible plan, then it knows to load 204, 231 and 232 to the employee. Based on the calculation rules on PTRBDCA, if MEDR and DEPR is selected, the program knows to enter a dollar amount for the value of the prorate and the employer payment. So, it knows to load 246 at the appropriate calculation based on remaining months * the premium rate and to load the 266 at the premium rate.

This interface has been live for over a period of 2-3 years and has been successful and has mitigated many payroll benefit errors. To learn more about this interface, review the technical specifications.

Benefit Interface to BOP/BFM – PZRBFMF (S008) and NZPSRPT (S009)

These are the interfaces that push all benefit information to the Bureau of Personnel (BOP) and to the Bureau of Finance and Management (BFM). S007 represents all employee benefits and payments to BOP and S009 is the expenditure of the salaries and benefits for BFM.

For more information on the interfaces, see:

S007 -

http://mytraining.sdbor.edu/resources/banner/MultipleModules/SDBOR_007_Functional_Specification.pdf

S009 –

http://mytraining.sdbor.edu/resources/banner/MultipleModules/SDBOR_009_Functional_Specification.pdf

Based on the partnership with the state agencies, these prorates are in existence.

Reconciliation

As of FY10, there is a new process to reconcile all prorates. Because we have two plan years (Flex and Health), there will be two periods for evaluation of benefits.

Flex

Flex products will need to be reconciled no later than July 30, 2###. The last payroll associated with Flex products is June. This provides for one month reconciliation. The reconciliation must include the employee's name, id, BOP description of plan, BDCA codes, amount employee paid, amount employer paid, rational and payroll correction to be taken.

Health

Health products will need to be reconciled no later than September 30, 2###. The last payroll associated with Health products is August. This provides for one month reconciliation. The reconciliation must include the employee's name, id, BOP description of plan, BDCA codes, amount employee paid, amount employer paid, rational and payroll correction to be taken.

Below is the spreadsheet for the HR department to use in their reconciliation. This will be emailed by the institution upon completion of Flex and then Health to the Shared Payroll Center Accountant. PZRPRTT report is one that finance would want to monitor to identify if they are in balance or if money will be due to the Regents. The reconciliation spreadsheet is attached below for the institutions to use in their reconciliation.



ReconciliationWorksheets_v1.1_20100304.x

The goal of this process is to reconcile to 0.00 or to document how institution will arrive to 0.00. In the event the employee paid too much in the prorate, then a refund must be made to the employee. If the employer paid too much, then the employee must pay the employer for any share that is owed. The example in the spreadsheet, Kayla Bastian paid in too much for \$1.66. Therefore, a refund is due to the employee. It is noted in the example, that a correction will be made on PHAADJT PayNo 10, 2010. All refunds should be completed on a PHAADJT with detailed comments on PHAADJT recording why the refund is occurring.

Remember, if the employee is corrected due to family status change or change in benefit premium over a two year cycle, then simply an explanation of those two years documenting that the amount equals 0.00 is necessary. In this case, no refund is necessary. See example in spreadsheet. Janice Minder balanced to zero over a two year period.

Refunds Due to Reconciliation

1. **Employee Prorate Refunds** – Where an employee paid too much into the Prorate account, HR must provide a refund on a PHAADJT correction run. This amount should include comments as to why the refund is being completed. This refund then will be on the Employee BDCA so we can provide the employee the amount that is over what was due.
2. **Employee/Employer Refunds (BOP Premiums)** – Where the employee had a change in status and this requires a refund from BOP, the Employer BDCA code must be used. This is because the interface between BOR and BOP only recognizes the Employer BDCA Code.
 - a. If the employee paid too much in the Prorate and the Employer is not impacted by the refund, then a refund is made on the employer BDCA code in the employee amount and the one time add/replace. Because we need to pull the money back from BOP/BFM, the employer BDCA must be used.

So, if the employee paid into the prorate \$351.84 and the employer paid out \$351.84 then the refund has no impact on the employer dollars. This refund only impacts the employee for an over payment in a previous or current plan year. HR must go out and look at the employee records to ensure that the prorate and the employer BDCA equal the same dollar amount or the employee has an overage. *In the event they do not, then the refund may be due to the employer.*

Where you have questions, please contact the Shared Payroll Center or the Board of Regents to assist.

- b. If the employee did not pay enough into the prorate BDCA, and the employer paid too much, then the refund should be on the employer add/replace as the refund is due to the employer.

In the example below, the employee received a refund from BOP. The employer paid the refund back to the employee. However, if you note, the employee did not pay in enough in the prorate BDCA to receive the refund. The refund should have been on the Employer BDCA add/replace. In this example, the employer would have to go and pull 34.48 back from the employee on the prorate so the employer would be made whole.

Incorrect:

| | EE Payment | ER Payment | EE Refund | EE DBL Ded. |
|---------------|------------|------------|-----------|-------------|
| DNTL 2008 7 | .00 | 46.56 | .00 | .00 |
| DNTL 2008 8 | .00 | 46.56 | .00 | .00 |
| DNTL 2008 9 | 43.98 | 29.32 | -34.48 | .00 |
| DNTL 2008 10 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2008 11 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2008 12 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 1 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 2 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 3 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 4 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 5 | .00 | 29.32 | .00 | .00 |
| DNTL 2009 6 | .00 | 29.32 | .00 | .00 |
| TOTAL FOR DNT | 351.84 | 386.32 | -34.48 | .00 |

Correct:

In the screen shot below, you will note the Add/Replace PDAEDN form. The negative amount represents a refund and so to credit the employer. The 34.48 should have gone, in this case, to the Employer Amount line versus the Employee Amount line.

| | EE Payment | ER Payment | EE Refund | EE DBL Ded. |
|---------------|------------|------------|-----------|-------------|
| DNTL 2008 7 | .00 | 46.56 | .00 | .00 |
| DNTL 2008 8 | .00 | 46.56 | .00 | .00 |
| DNTL 2008 9 | 43.98 | -34.48 | .00 | .00 |
| DNTL 2008 10 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2008 11 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2008 12 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 1 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 2 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 3 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 4 | 43.98 | 29.32 | .00 | .00 |
| DNTL 2009 5 | .00 | 29.32 | .00 | .00 |
| DNTL 2009 6 | .00 | 29.32 | .00 | .00 |
| TOTAL FOR DNT | 351.84 | 351.84 | .00 | .00 |

The screenshot shows the Oracle Developer Forms Runtime interface for the PDAEDN form. The 'Add or Replace' section has three radio buttons: 'Add', 'Replace' (which is selected), and 'Neither'. Below this, there are input fields for 'Employee Amount', 'Employer Amount', 'Applicable Gross', and 'Payroll ID'. The 'Employer Amount' field contains the value '-34.48', and a red arrow points to this field. The 'Arrears' section includes a checkbox for 'Active Arrear Status', an 'Arrear Balance' field, and a 'Maximum Recover Amount' field. The bottom of the form shows a status bar with 'Employer Amount' and 'Record: 1/1'.

Double Deductions Avoiding Reconciliation Issues

Another source of complication is when an employee is hired mid-plan year. In the event an employee is hired mid-plan year, a double deduction is to be pulled on the employee line of the employer BDCA. Again, this is because the Interface only recognizes the employer BDCA.

This allows the new hire to pay BOP directly without impacting prorates from the previous two months. The prorate will be calculated on the remaining months due to carry through the end of the plan year.

Incorrect:

In the example below, the institution charge the employer the double deduct and did not pull it from the employee. \$1,168.56 is the correct premium amount for the year. However, in this example, you will note the employer paid the whole amount while the employee did not.

| | | EE Payment | ER Payment | EE Refund | EE DBL Ded. |
|----------------|---------|------------|------------|-----------|-------------|
| HLTH | 2008 10 | 146.07 | 194.76 | .00 | .00 |
| HLTH | 2008 11 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2008 12 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 1 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 2 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 3 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 4 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 5 | .00 | 97.38 | .00 | .00 |
| HLTH | 2009 6 | .00 | 97.38 | .00 | .00 |
| HLTH | 2009 7 | .00 | 97.38 | .00 | .00 |
| HLTH | 2009 8 | .00 | 97.38 | .00 | .00 |
| TOTAL FOR HLTH | | 1,022.49 | 1,168.56 | .00 | .00 |

Correct:

In the example below, the institution should charge the employee the payment for the previous month of \$97.38 in the Employee Amount line of the employer BDCA code. This will pay for the amount due for the previous month. The employee will also have a one-time catch up and so, an additional 48.69 should be charged to the employee prorate to ensure the total of the remaining months of coverage is captured. The total premium amount is \$1,168.56. The employee paid direct to BOP on the employer BDCA code of 97.38 for the month of September (double deduction). The employer then paid the remaining \$97.38 from October through August. The employee then was charged on their prorate a total of \$1,071.18 to ensure the employer and employee amounts equaled. It is important to note that employee and employer share should equal each other and reconcile to zero.

| | | EE Payment | ER Payment | EE Refund | EE DBL Ded. |
|----------------|---------|------------|------------|-----------|-------------|
| HLTH | 2008 10 | 194.76 | 97.38 | .00 | 97.38 |
| HLTH | 2008 11 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2008 12 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 1 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 2 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 3 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 4 | 146.07 | 97.38 | .00 | .00 |
| HLTH | 2009 5 | .00 | 97.38 | .00 | .00 |
| HLTH | 2009 6 | .00 | 97.38 | .00 | .00 |
| HLTH | 2009 7 | .00 | 97.38 | .00 | .00 |
| HLTH | 2009 8 | .00 | 97.38 | .00 | .00 |
| TOTAL FOR HLTH | | 1,071.18 | 1,071.18 | .00 | 97.38 |

In both examples of the Employee Double Deduction for the Employer Code of 212, 222, or 232, the Employee Amount Line should be populated. As well to ensure the prorate is inflated, on the Employee Prorate of 211, 221, or 231, the Employee Amount Lines should be populated with positive numbers and an ADD to the amount.

The screenshot shows the Oracle Developer Forms Runtime interface for 'Employee Benefit/Deduction'. The window title is 'Oracle Developer Forms Runtime - Web: Open > PDAEDN'. The form is for 'POAEDN 8.0.0.1 (PROD)'. The 'Add or Replace and Arrears' tab is selected. In the 'Add or Replace' section, the 'Add' radio button is selected, and the 'Employee Amount' field contains the value '97.38'. A red arrow points to this field. Other fields include 'Employer Amount', 'Applicable Gross', and 'Payroll ID'. The 'Arrears' section includes 'Active Arrear Status', 'Arrear Balance', and 'Maximum Recover Amount'.

Summary of Reconciliation Goal

In summary, the goal is to reconcile all prorates at the end of each plan year to balance out at zero. Institutions will be required to complete the spreadsheet documenting how their employees will balance out over the period or two year period. Again, this may mean that it will take two years to zero out the balance for the employee/employer.