



OMES

Office of Management and Enterprise Services

Benefit Allowance and Benefit Deductions to Go From 26 to 24 Pay Periods per Year

Beginning with the first paycheck of 2015 (pay date of Jan. 9, 2015), the benefit allowance and benefit deductions will be based on 24 pay periods rather than 26. Employees paid biweekly (26 pay periods) will have the benefit allowance and applicable remaining benefit allowance paid from the first two paychecks of the month. Additionally, benefit deductions will be withdrawn from the first two paychecks of each month.

Details:

- This transition affects only state agencies. Higher Education institutions are not affected.
- This transition affects only employees paid on a biweekly basis (26 pay periods).
- This will be effective with the first paycheck of 2015 (pay date of Jan. 9, 2015).
- The transition includes benefit deductions for:
 - » health premiums
 - » vision premiums
 - » dental premiums
 - » life option premiums
 - » disability premiums
 - » health savings accounts
 - » flexible spending accounts (both health care and dependent care)
- The transition will not affect deductions for retirement, garnishments, child support, taxes or voluntary payroll deductions. Some examples of common voluntary payroll deductions include credit unions, banks, employee associations and the college savings plan.
- The total annual amount of the benefit allowance and benefit deductions will be the same for 24 pay periods as it would be for 26 pay periods.
- Two months during the year, there will be a third paycheck with no benefit allowance, no remaining benefit allowance, and no benefit deductions. The third paycheck in these 'three-payday months' may be larger or smaller than the previous two checks because no benefit allowance, remaining benefit allowance, or benefit deductions will be taken. Employees may see a difference in the amount of taxes withheld for Social Security, Medicare, federal and state thereby increasing or decreasing the amount of net pay.

Why is this necessary?

House Bill 1107, of the 1st session of the 54th Legislature, 2013, mandated the payment of the flexible benefit allowance for employees on biweekly payroll to be credited annually over 24 pay periods. In addition, benefit deductions for employees on biweekly payroll will now occur over the same 24 pay periods.

The invoices for insurance benefits are 12 equal monthly payments for each enrolled employee. Because of the current 26 pay period arrangement, often there are not enough premiums collected from each employee to cover these invoices. On 'three-payday months,' there is usually too much collected. The plan for payments to be deducted from the first two paychecks of each month will correct this imbalance. The twice-monthly payments for benefits will equal the amount of the invoices.

Below is a chart comparing an employee's premiums based on 24 pay periods versus 26 pay periods for a health plan with a \$2,400 per year premium. When compared to the current 26 pay period schedule, this employee would pay \$7.69 more per pay period and would have no premiums deducted from or benefit allowance added to two paychecks each year.

Freq	Week	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
26 Pymts (Current)	Wk 1	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	\$2,400.00
	Wk 2	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	92.31	
	Wk 3					92.31					92.31			
24 Pymts (Planned)	Wk 1	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	\$2,400.00
	Wk 2	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
	Wk 3					0.00					0.00			

Comparison of Benefit Allowance for 26 Pay Periods vs. 24 Pay Periods

The following is an example of differences in benefit allowances per paycheck for 26 pay periods versus 24 pay periods, per calendar year.

Coverage Levels	26 Benefit Allowance Periods	24 Benefit Allowance Periods
Employee	\$295.84	\$320.49
Employee Plus Child	\$401.95	\$435.45
Employee Plus Children	\$464.40	\$503.10
Employee Plus Spouse	\$605.89	\$656.38
Employee Plus Spouse & 1 Child	\$712.00	\$771.33
Employee Plus Spouse & Children	\$774.45	\$838.98

Comparison of Benefit Deductions for 26 Pay Periods vs. 24 Pay Periods

The following are examples of differences in deductions per paycheck for 26 pay periods versus 24 pay periods, per calendar year.

Example # 1

Coverage Levels	26 Benefit Deductions	24 Benefit Deductions
Enhanced Health - EE + Spouse	\$535.71	\$580.35
Pre-Tax Basic & Supp Life \$50,000	\$5.08	\$5.50
Post-Tax Supp Life \$50,000	\$6.93	\$7.51
Medical Spending \$1,500	\$57.70	\$62.50
TOTAL	\$605.42	\$655.86

Example # 2

Coverage Levels	26 Benefit Deductions	24 Benefit Deductions
High Deductible Health - Family	\$549.19	\$594.96
Vision - Family	\$13.12	\$14.21
Pre-Tax Basic & Supp Life \$50,000	\$5.27	\$5.71
Post-Tax Supp Life \$130,000	\$23.55	\$25.51
Health Savings Account \$1,750	\$67.31	\$72.92
Disability	\$4.20	\$4.55
TOTAL	\$662.64	\$717.86

The information contained in this notification is directed at employees working for state agencies that are paid on a biweekly basis. No action is necessary for employees as this transition will occur automatically at the beginning of the 2015 Plan Year.

Employees with questions regarding the transition are directed to contact a benefits coordinator at his/her agency.