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BENEFITS COMPANY

FRINGE BENEFIT GROUP CATERS TO HOURLY WORKERS' NEEDS

Brokers and employers rely on FBG as single source for benefits administration, products and compliance.



Photography by Nick Judy

*Executives of Fringe Benefit Group:
(from left) Travis West, CEO; Adam
Bonsky, Executive VP, Government
Markets; Tere McCann, CFO; Brian
Robertson, Executive VP.*

The Contractors Plan team for Fringe Benefit Group includes: (seated front to rear then standing left to right) Steve Slade, CPA, CPC, Director, Defined Contribution Plans; Mike Rogers, CLU, Chief Compliance Officer; Bill Henson, VP, SCA Markets; Adam Bonsky; and Paul Gaudet Jr., MBA, Director of Group Benefits, Government Markets.

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Fringe Benefit Group

By Thomas A. McCoy, CLU

For most benefits brokers and their clients, the dawn of the Affordable Care Act (ACA) era was the beginning of their exposure to complicated federal regulation of health insurance. Fringe Benefit Group (FBG), an employee benefits wholesaler and third-party administrator, has been helping brokers and their clients comply with government regulation of health insurance and other benefits products for more than 30 years.

FBG's leading niche is administering benefit plans for construction companies and service contractors working on government-funded projects. An important part of this business is keeping the construction and service contractors in compliance with prevailing wage laws. Those laws, the Davis-Bacon Act, the Service Contract Act and various related state laws, specify minimum compensation levels for hourly workers. They apply to fringe benefits as well as wages for hourly workers. (See sidebar on page 92.)

FBG currently administers benefit plans for some 600 brokers nationwide whose clients have businesses

that are subject to these Acts dealing with minimum hourly compensation. Its mission is not only to keep these contractors compliant, but handle this business in the most tax-efficient and effective way possible.

FBG will manage approximately \$250 million in contributions to benefit plans nationwide this year, serviced by its approximate 100 employees in five offices. It can provide a "single source solution" where the contractor deposits the amount required for the hourly worker's entire fringe package and FBG allocates it among the various products chosen.

"Compliance with prevailing wage laws can be complex," says Adam Bonsky, executive vice president of government markets for Fringe Benefit Group. "And to the extent the broker and the contractor don't understand everything that's required, there are lots of problems that can occur." He points out that wage and benefit pay requirements vary by location and by occupation type, and are determined by surveys in local areas.

"A contractor has to know what they can bid, what they pay the employee, how much can go toward base wages, how much toward benefits, and what reporting they have to do. The benefits have to be 'bona fide' as

defined by the Department of Labor. A contractor who is out of compliance may be subject to fines or debarment," says Bonsky.

Bonsky continues, "Contractors working on government projects might be leaving a lot of money on the table because they are paying the fringe amount improperly by overpaying taxes or overpaying insurance. They might be overpaying workers compensation, allocating time off improperly or paying the fringe amount separately in addition to benefits."

Fringe Benefit Group offers a product lineup for the prevailing wage market that includes major medical, specialty benefits—dental, vision, life, disability, etc.—and retirement plans. Transamerica and Nationwide are its leading 401(k) providers; United Healthcare, some Blues, and Kaiser for major medical; its specialty benefits carriers include MetLife, Transamerica and Ameritas; and for fixed indemnity, Nationwide and Standard Security Life.

FBG also can serve as a marketing ally to its brokers by providing them with access to its large database on government-funded work. "For example," says Bonsky, "we can provide a broker with lists of contractors bidding on government-funded work in that broker's geographic area."



The Framework team for Fringe Benefit Group includes: (foreground right, then seated left to right) Brian Robertson; Teri Potts, Marketing Director; John Conkling, VP, National Accounts; and Nat Peniston, VP, Specialty Benefits.

Along comes the ACA

Like all employers with more than 50 employees, those who work on government-funded projects will have to provide ACA-compliant health coverage effective January 1, 2015. Bonsky explains how the Act affects the benefits decision-making process for them.

“If in the past a contractor has been paying the fringe amount as wages because the employees prefer it that way, now the ACA says ‘it’s the law; you have to provide benefits or you get penalized and the employee might get penalized too if they’re not purchasing it for themselves.’ So it takes some of the sting out of putting benefits in place in lieu of paying the fringe as cash. Before the employer felt the full brunt of the decision. Now the employer can say, ‘The ACA is making me do it.’

“We support the broker by explaining to employees how, by putting these dollars towards benefits, they can reap the tax rewards, grow their accounts, meet their obligations under the Affordable Care Act and help their employer win more jobs because they are more competitive now.”

Bonsky notes that when new fringe benefit contributions flow into a retirement plan, they create another opportunity for the highly compensated

employees in the firm. “Business owners and key employees can count those fringe contributions in the discrimination testing; you can use it to offset profit sharing; you can use it to meet your safe harbor obligations.”

Bottom line, Bonsky says, the ACA is providing its brokers with “a wonderful opportunity to show their clients how making a simple decision of moving all of their fringe money from paycheck to bona fide benefits, you unlock all sorts of potential economic advantages.”

Part-time workers

In the late ‘90s, FBG decided to experiment with operating outside the prevailing wage market. It introduced a hospital indemnity policy for staffing companies, a class whose employees had limited funds to spend on benefits. This led FBG to expand further into the commercial market (non-government-related jobs) by offering a fixed indemnity limited medical product for hourly and part-time workers. In response to customer demand, today that program, called Framework, provides part-time workers with a supplemental benefit offering that includes fixed indemnity, MEC, dental, vision, critical illness, short-term disability, and life plans.

“Almost 60% of the workforce in the U.S. is made up of hourly workers, and a high percentage of them are part-time workers,” says Brian Robertson, executive vice president of FBG. “We think the number of part-time workers will continue to grow.”

Servicing this widely diverse population of workers requires a strong infrastructure of administration services and communication channels, Robertson points out. “Many of these employees work multiple jobs, and keeping track of hours and benefits choices can be a challenge. It’s important to have a strong online presence as well as call centers.”

Robertson heads up Framework, which has built a client list that includes “a lot of national restaurant firms, other hospitality businesses, national retail firms and nursing homes.” The key to its growth, he says, is the benefits platform infrastructure, which FBG originally built for its prevailing wage business, and the way it has tailored it for the special needs of part-time workers and their employers.

“Over the years we’ve built online enrollment capabilities for part-time workers,” Robertson says. “We’ve gone from managing the premium on an hourly basis to managing it on a payroll cycle basis so the employer does

The Operations/Call Center team for Fringe Benefit Group includes: (from left) Tricia Voges, VP, Controller; Tere McCann; and Ron Safarik, VP, Participant Services.



not have to manage a bill. When an employer has thousands of employees spread across a region, we don't want to just send them a bill and ask them to tell us what amount goes to what person and whether or not they're still working. So we match up our cycle to their payroll system.

"We enroll the person, and then we send the deduction file to the employer. That deduction file is then run through that employer's payroll system, which will create a mass of deductions. They then send us a remittance file of premium, showing how much the employer was able to deduct for each employee.

"We'll take all that and make people eligible for insurance based

on how much premium they paid and create the next file that will go and deduct out of their payroll again. Our account managers work to handle the discrepancies with the HR department versus putting that burden on them.

"That's the magic behind what we do. We really shine with these messy, high turnover cases because we make them easy on the broker and on the employer," says Robertson.

Robertson notes that the part-time market will be going through a transition during the early stages of the Affordable Care Act. "Some employers have reduced full-time employees in response to the Act, increasing their number

of part-timers. Others with hourly and part-time have eliminated all benefits, at least for now, sending employees to the exchanges. We believe that a lot of these will come back to the private market."

Whatever the Affordable Care Act brings to the employee benefits market, Fringe Benefit Group is unlikely to fret about it. It found out long ago that helping companies with hourly workers stay compliant with government regulations can present opportunities. ■

For more information:

Fringe Benefit Group
Website: www.fbg.com

Prevailing wage laws

The Davis-Bacon Act

This legislation, passed in 1931, stipulates that federal construction contracts in excess of \$2,000 must pay workers locally "prevailing wages" including the "anticipated cost of prevailing benefits." Generally this is expressed as a per-hour wage and a per-hour cash equivalent value of benefits, often based on a union scale. Prevailing wages are set by the U.S. Department of Labor and are included in the bid specifications of covered contracts.

The Service Contract Act

This legislation, first enacted in 1965, specifies minimum hourly compensation levels for a wide range of private contractors and subcontractors working on federal contracts of at least \$2,500. As under Davis-Bacon, the minimum levels must conform to locally prevailing wages and benefits. Often these contractors have multiyear contracts for work at a government facility. For example, says Adam Bonsky, "On a military base you could have food service, security, landscapers, and facilities maintenance services."