Benefit Administration
Human Resources

Ross Building
Room 136
8 a.m. – 12 p.m.
September 19, 2005
Welcome!

- Introductions of Group
  - Name
  - Department
  - Regional campus staff joining us
Workshop Logistics

- Tent Cards
- Rest Rooms
- Breaks
- Parking Lot
Workshop Agenda

1. Discuss Workshop Objectives
2. Overview of Series
3. Review the Proposed Future Process
4. Break
5. Capture Issues in the “Parking Lot”
6. Discuss Next Steps
7. Adjourn
Why Are We Here?

Our objective today is to...

- Discover
  - SAP terminology, definitions, and capabilities.
  - Specific opportunities for business transformation.
  - Best practices in the context of the SAP implementation.
  - Documented future process and any system gaps.

- Validate
  - “To-Be” business processes.
  - Required policy changes.
  - Process acceptance by core process owners, advisory committees, and University leadership.

- Facilitate Communication and Change Management
  - The future state of Purdue University
  - How people, processes, and technology will Integrate in the future.
What Have We Done to Prepare?

To prepare for this workshop, we have...

- Researched Best Practices
  - SAP software is the best practice source.
  - As stated in the One Purdue Guiding Principles, the SAP software WILL NOT be modified.

- Developed Proposed Business Processes
  - The “To-Be” business processes were developed utilizing the best practices found in the SAP software.

- Reviewed and Refined the Proposed Processes with Knowledgeable Staff in Key Operational Positions.
  - Presented the proposed processes.
  - Gathered feedback, learned of gaps, implemented changes as necessary.
What is Your Role?

Today, we need you to...

- Review and Validate the Proposed Process.
- Identify Gaps in the Proposed Process.
- Identify Organizational Challenges.
- Help Us Facilitate Change Management.
What will come from this Meeting?

The output from this meeting includes...

- Gap Analysis Report.
- Functional Specifications Report.
Workshop Ground Rules

- Respect Time
- Respect Process
  - Stick to agenda topics.
  - One subject discussed at a time.
- Respect One Another
  - One conversation at a time.
  - Cell phones and Blackberrys turned off.
  - Listen.
- Stretch
- Keep the end in sight
- Work to gain consensus on terminology
- Silence means agreement
- Issues will be “parked” and resolved outside the meeting
BPR Guiding Principles

1. “OnePurdue Guiding Principles” will apply.
3. Primary best-practice source = SAP and third-party bolt-on solutions (return-on-investment opportunity).
4. SMEs will be empowered by process owners to make key decisions regarding processes.
5. Enterprise processes will adhere to software best-practices – flexibility in implementation.
6. Disposition for exceptions to best practices:
   a. Termination of process
   b. Work-Around: “User Exit” w/o code modification
   c. Off-the-shelf bolt-on
   d. Offline operation
7. Process owners and key stakeholders “buy-in” validation required.
8. All best practices (5) and exceptions (6) must be integrated into the OnePurdue system.
9. Successful BPR also requires:
   a. Executive commitment
   b. Effective change agents to drive best practices and overcome resistance
   c. Appropriate organization structure
   d. Institutional willingness to consider radical change
Let’s Get Started!

Our topic today is...

• *Benefits Administration*
Benefits Process Description

With the implementation of the new system, benefit administrators and employees will have a streamlined benefit enrollment and management process. Additionally, the process to manage benefit deductions will become more accurate and timely.

Enhancements include:

- ESS (Employee Self Service)
- Automatic Proration of Most Deductions
- Calculating and Collecting Deduction Arrearages
- Simplified Creation and Maintenance of Benefit Plans
Benefits Process Visio

Benefits Administration - Enrollment
Version 1.0

Benefits Enrollment of New Hire
Variation: V 1.0

**Legend**
- Automated process step
- Forms
- Stored Data
- Manual Process
- Direct Data
- End to end system process
- Manual input
- Decision
- Start
- End
- Flow to another step using SAP Workflow
- Flow to required step
- Flow to optional step
Benefits Process Visio

Benefits Administration – Change in Family Status
Version 1.0

Employee

Start

Employee determines they need to make a change in their benefit coverage.

Completes Change in Family Status form (link from Benefits webpage)

Employee makes change in ESS

End

Benefits Processing Area

Benefits area reviews request.

Benefits area decides if valid reason for CIFS

YES

Generate email to employee to notify them the change is approved

Generate email to employee to notify them the change is not approved

NO

Requirements
Terms for Benefits

- SAP terms we will use for Benefits:
  - Health Plans are the medical coverage
  - Savings Plans are what we currently call Retirement today
  - Insurance Plans include Term Life, LTD, STD, PAI, AD&D
  - Spending Accounts are FSAs

These labels are used on screens in the system called InfoTypes. InfoTypes are collections of related data on the same screen.
Infotype 0171 – General Benefits Data

- Benefit Area
  - Defines a benefit plan pool
  - Purdue = Campus

- 1st Program Grouping – Benefit Group
  - Sort employees into different groups based on plan eligibility
  - Purdue = Regular FT, Regular PT, Non Regular FT, Non Regular PT, Non Pay BN Eligible, Non Pay Non BN Eligible

- 2nd Program Grouping – Benefit Status
  - Sort employees into different groups based on plan eligibility
  - Purdue = Faculty, Visiting Faculty, Vet Intern, FEHB, Clerical/Service, Police/Fire with PERF, Ops/Tech, Mgmt Prof, Non Exempt Prof, Police/Fire with TIAA, Admin/Continuing Lecturers/Prof Asst, Grad, EVPR, Post Doc Fellow, PRF, Retiree, Other Non Eligible
Infotype 0171

Create General Benefits Information

Person ID: 31  
Person No: 31  
Name: Dema ScreenShota  
EE group: Admin/Prof Staff  
EE Subgroup: 22 12 Month Exempt  
Start: 11/01/2006  
Status: Active

General Benefits Information

- Benefit area: KL
- 1st Program Grouping: 0001 Regular FT
- 2nd Program Grouping: 0005 Admin

HR Will Enter
### Infotype 0001

#### Copy Organizational Assignment

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<tr>
<th>Field</th>
<th>Value</th>
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<tr>
<td>Personnel No</td>
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<tr>
<td>EE group</td>
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<tr>
<td>EE subgroup</td>
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<td>01/01/2000 to 12/31/9999</td>
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<td>Pers area</td>
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<td>Leg person</td>
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<tr>
<td>Subarea</td>
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<td>Fund</td>
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<td>Org. Unit</td>
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### Infotype 0378 – Adjustment Reasons

#### Create Adjustment Reasons

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<td>EE subgroup</td>
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#### Adjustment Reason Data

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<th>Benefit area</th>
<th>West Lafayette</th>
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<tbody>
<tr>
<td>Adjustment reason</td>
<td>New Hire</td>
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- New Hire
- Retirement
- Family Status Change
- Job Change
- Worktime Change
Infotype 0008 – Basic Pay

Create Basic Pay

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<th>Person ID</th>
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<tr>
<td>31</td>
<td>31</td>
<td>8</td>
<td>22</td>
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<th>PB group</th>
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<th>O</th>
<th>Amount</th>
<th>Curr</th>
<th>L</th>
<th>A</th>
<th>Number/Unit</th>
<th>Unit</th>
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<td>2013 Pay Period Salary</td>
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<tr>
<td>1999 Benefit Salary</td>
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| 10/08/2012-12/31/2012 | 8,353.34 | USD |
Automatic Enrollment

- Eligible employees are automatically enrolled into certain employer paid benefit plans. These plans include AD&D, LTD, appropriate Savings Plan (TIAA or PERF).

- A standard SAP program will be run by the Benefits department on a daily basis to select eligible employees and auto enroll.
Default Enrollment

- Eligible employees will default into Incentive PPO employee only coverage and Term Life (equal to 1 times annual salary)

- A standard SAP program will be run by the Benefits department on a daily basis to select eligible employees to default enroll.

- Employees will have 30 days to select other benefits and change the default enrollment.
EE sees only plans for which they are eligible.
Enrollment (Health Plans)

- Pers.No: 31
- Plan: Purdue 500
- Start: 01/01/2005 - 12/31/9999

Options:
- Health Plan Option: Standard
- Dependent Cover: Employee
- Costs USD Monthly: 309.00
- EE pre-tax: Employee & Spouse

Stop participation in period
Enrollment (Insurance Plans)

Maintain Insurance Plan

- Pers.No.: 31
- Demo Screen Shots
- Plan: Term Life
- Start: 01/01/2005 - 12/31/9999

Stop participation in period

Coverage

- Insurance Option: Fix Salary
- Basic Coverage: 96,000.00 USD
- Additional Unit: 0 X 0.00 USD
- Insurance Cover: 96,000.00 USD

Costs USD Monthly
- EE pre-tax: 0.00
- Employer: 0.00

Accept

OnePurdue
Enrollment (Savings Plans)

Maintain Savings Plan

Pers.No. 31 Demo ScreenShots
Plan TIAA
Start 01/01/2005 - 12/31/9999

☐ Stop participation in period

Contribution regular

Pre-tax contribution Monthly
Amount USD ☐ Pre-Tax Rollover
Percentage
Units 0 X 0.00 USD

Post-tax contribution Monthly
Amount USD ☐ Start Pst-Tax I
Percentage
Units 0 X 0.00 USD

Accept ☑

Contribution bonus
# Enrollment (FSAs)

<table>
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<td>Target contribution period</td>
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<td>Contribution</td>
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[Accept, Cancel]
Separation/COBRA

- During the separation process in SAP, the HR processing areas will delimit existing benefit plans effective the day of separation.
- Pro-ration will be discussed in a coming slide...
- The separation process will trigger a COBRA event. A standard report will be run to collect the employees that are COBRA eligible. This report will be used to manually key into the InfiniSource system.
Retirees < 65

- Status = Active. No university pay.
- Contract field will represent ‘official retiree’.
- Medical coverage ends with separation; no longer provide two months of extended coverage at no cost.
- Billing will be done through SAP A/R Module.
Retirees >= 65

- Status = Withdrawn. No university pay.
- Contract field will represent ‘official retiree’.
- Medical coverage ends with separation; no longer provide two months of extended coverage at no cost.
- Purdue will no longer track benefit enrollment for retirees > 65.
- The benefits department will run an SAP ad hoc query once a month to determine those retirees that will turn 65 in the next two months. This list will be used to send out enrollment forms and future ‘stop’ benefits enrollment. Retiree will then deal directly with Anthem.
**EVPRs**

- Purdue allows a flexible work arrangement between an employee and the department to allow an employee to retire within 5 years.
- EE will be put on a paid LOA.
- Benefit Salary remains unchanged.
- Department will enter unpaid absences for time when the employee is not working.
- If the employee does not have the money to cover deductions, the deductions will go into arrears or the employee will be allowed to pre-pay (more later).
Same Sex Domestic Partner

- ‘Certification’ still required in benefits department. Family Status field on infotype 0002 will be maintained. Adjustment reason on infotype 0378 also maintained to trigger employee can make a benefit plan change.

- Additional employee deduction to enroll the partner is considered post tax.

- Additional employer cost for the partner is considered a taxable benefit to the employee.

- Same sex domestic partner plans will be set up as separate plans and map to additional post tax and imputed income wage types.

- EE notified to go to ESS to select new options.
PRF/ALU

- Non employees associated with Purdue that are eligible for benefit plans excluding savings plans.
- Billing will be done through SAP A/R Module.
FEHB

- In SAP unique 2\textsuperscript{nd} Program Grouping.
- Drives eligibility for federal medical plans.
- Federal forms will still be required. Suggest link from ESS to obtain the federal forms.
Grads

- Eligible for unique medical plan.
- Will be eligible for TDAs.
- Benefits working with vendor to require flat monthly rate.
- Possible ‘mini plan’ for coverage only during the summer.
Post Doc Fellowships

- Non pay faculty that receive eligibility for medical plans only.
- Billing will be done through SAP A/R Module.
Fellowships

- Receive a ‘Stipend’ but law prevents deductions to be taken from the fellowship dollars.
- Eligibility for vision plans only.
- Billing will be done through SAP A/R Module.
HIPAA Restricted

- HIPAA Restricted will be keyed into the text field associated with infotype 0167 – Medical Plans.
LTD Approved

- Employee will be put on a paid or unpaid LOA.
- Infotype 0077 – Additional Personal Data. Disability flag will be checked, disability date and disability learned date will be entered.
- Drives plan costs.
- Billing will be done through SAP A/ R Module.
Military Leave – ER Contributions

- Benefit Salary wage type on infotype 0008 will be utilized to calculate the university contribution to savings plans.
Both spouses employed at Purdue

- Medical Plan – Purdue Spouse Opt Out
- Purdue employees and Purdue spouses will both be able to cover their spouses and children for their Personal Accident Coverage and their Dependent Life Coverage. This “double coverage” is effective 1/1/06.
Refund at Termination

- < 12 month employees that term in May have paid deductions through the summer.
- The employee may request a refund for those summer months.
- A refund (positive deduction) will be entered into infotype 0015 (one time payments/deductions) for a period of time the employee was active. This will automatically generate a check or direct deposit.
Participation Monitor Report

• **Macro Eligibility**- An employee becomes ineligible if:
  » The plan in which the employee is participating is removed from the program applicable for their benefit area or first/second program grouping
  » Due to an organizational change, an employee becomes assigned to a different benefit area or first/second program grouping and the plan in which they are participating is not in the applicable program

• **Micro Eligibility**- An employee becomes ineligible if:
  » The employee does not fulfill the eligibility rule for the plan
  » The co-requisite conditions for the plan are not fulfilled

- A standard SAP program will be run by the Benefits department on a daily basis to find eligibility issues.
- Examples could include employees enrolled in PAI Spouse but not PAI employee or Post Doc Fellows enrolled in Life but should only have medical.
Benefits Deductions

- Employee enrolls in appropriate benefit plans
- Benefits holds employee and employer costs, and the taxable benefit of the plans
- Payroll configuration maps the employee, employer, and imputed income wage types to the benefit plan
- Payroll configuration determines the payroll frequency of the plan being processed
Group Term Life Insurance

- Amount of life insurance over $50,000 paid for by the University is considered taxable

- IRS charges different taxable benefit based on age of the employee

- Amount of taxable benefit is calculated, and processed through Payroll, every pay period

- Discontinue using the “highest salary ever earned” as the value of coverage for term life insurance
Savings Plans – Limits

- All limits are handled in SAP. No manual intervention required.
- Amount allowable determined by IRS
- These amounts are loaded in SAP
- If the employee is over age 50, SAP automatically determines the catch up limits.
Proration

- 0167 – Health Plans – Daily Proration
- 0168 – Insurance Plans – Daily Proration
- 0169 – Savings Plans – No Proration. Last infotype record in the payroll period will be used to determine EE and ER. If the employee terminates mid pay period deduction will occur.
- 0170 – Flexible Spending Accounts. No Proration. First infotype record in the payroll period will be used to determine EE deduction. If the employee terminates mid pay period deduction will occur.
Concurrent Employment

- Employee must be assigned a ‘main’ assignment
- Costs will be distributed equally to all personnel assignments – regardless if position is eligible for benefits.
Arrears Processing

- When an employee does not have enough Net Pay to handle all deductions
- Priority is given to all deduction wage types
  - Taxes first, then Garnishments
  - Priority determined by University
- Arrears setting as attached to each deduction wage type
  - Tells the system how to process deduction if that deduction cannot be taken
- If deduction goes into arrears the amount is collected on the employees next pay check
Arrears Example

- Hourly employee receives $100 Gross Pay, $30 Taxes, $50 HMO Fort Wayne, $40 Student Loan, $10 United Way

- Priority of deductions and arrears setting is as follows:
  1. HMO Fort Wayne – Deduct what is possible and place remainder in arrears
  2. Student Loan – Deduct all or nothing, place in arrears
  3. United Way – Deduct all or nothing, do not place in arrears
Arrears Example - Continued

- Employee will have the following deductions:
  - Taxes $30
  - HMO Fort Wayne $50
  - Student Loan $0, $40 in arrears
  - United Way $10, nothing in arrears
  - Net Pay $10
Prepaid Deductions

- If employee goes on LOA they may have a large amount of deductions in arrears when they return.
- If employee does not want to be hit with a large amount when they return they can send a personal check into Benefits and that will be logged in SAP.
- When Payroll runs next it will recognize the personal check and it will offset either what is currently in arrears, or the current period deduction against it.
- Prepaid deductions can also be refunded to the employee if they have sent in too large of a check.
Prepaid Deductions - Continued

- The amount of the prepaid deduction is entered on infotype 0015
- Each period the current period amount is processed and reduces the amount of prepaid remaining
- If check is all used up and employee is still on LOA then deductions will start to go into arrears again
- Refund of prepaid deduction overpayment is made also on infotype 0015
Prepaid Deduction - Example

- Employee has Medical deduction each month of $100
- Employee is placed on LOA for the next six months
- After three months of arrears the employee sends in a check for $500
- Next payroll the $300 in arrears is cleared and the current amount of $100 is processed
- After the fifth payroll there will be no more money in the prepaid balance and therefore the deduction will start going into arrears again
Prepaid Deduction – Refund Example

- Employee has Medical deduction each month of $100
- Employee is placed on LOA for the next six months
- Employee sends in check up front for $600
- Employee returns to work after the end of the third month
- A refund is entered for $300 on infotype 0015
- Next time payroll is run the $300 is refunded to the employee but $100 is processed through the regular deduction
Arrears Installments

- In not all cases will employee send in a personal check to cover the arrears
- In some cases the employee owes a large amount of money when they return to work
  - This may be over $1,000
- University may allow this employee to pay this back over the next ten periods
- SAP will ALWAYS collect as many deductions from arrears as soon as that employee is being paid again
Arrears Installments - Continued

- Need to set up an Arrears Installment on infotype 0015
  - Setup as a negative deduction so that the employee is now receiving the money

- At the same time the Arrears Installment is setup, an Arrears Payback recurring deduction (infotype 0014) would need to be set up, along with a balance amount on wage type Arrears Balance on infotype 0015
Arrears Installment - Example

- Employee is on leave for one year and has accumulated $1,200 into their arrears table for Health coverage
- The first payroll that is run $1,200 will be collected to get the Health coverage paid up
- Employee is allowed to pay back the $1,200 over the next year
- Arrears Payback of $100/month is setup on infotype 0014 and an Arrears Balance of $1,200 is setup on infotype 0015
Best Practices for the To-Be Process

• Employee Self Service - empower the employees to be responsible for the administration of their own data via the internet.

• Partial outsourcing of benefits - contract those benefit plans to outside organizations that are labor intensive such as open enrollment, COBRA, 403b plans, and retiree health plans. Analysis is administered by the Corporate Benefits department. All non-paid employee benefits are billed by the 3rd party vendor.
Benefits KPIs

- Immediate benefit enrollment
- More on-line education & customer service – Reduce telephone calls by 25%
- 100% Automation of calculations
- 100% Sign up capability for TDA, FSAs, etc.
- 100% Generation – total compensation summary for regular faculty & staff
Next Steps

- Create the deliverables:
  - A Business Process Review report
  - Gap analysis report
  - Functional specifications report