



## 2006 ROONEY AWARD Innovative State HR Manager

Pani Tademeti, Manager of the NCFlex Program (“NCFlex”), established the State’s first 125 Cafeteria Plan in 1995. NCFlex employee participation has expanded from 727 in 1995 to 130,541 in 2005. Initially, NCFlex provided a dependent care program. Under Pani’s vision and direction, the program has grown to eight voluntary benefit plans for employees, in which premiums are deducted before federal, state or social security taxes are withheld. The Flexible Spending Account programs include: (1) a Health Care Account, which provides tax-free dollars for expenses an employee or a family member incurs that are not paid by medical insurance and (2) a Dependent Care Account, which provides for day care expenses; (3) a Dental Plan; (4) a Supplemental Medical Plan; (5) a Vision Plan; (6) an Accidental Death and Dismemberment Insurance; (7) a Group Term Life Insurance and (8) Cancer Insurance.

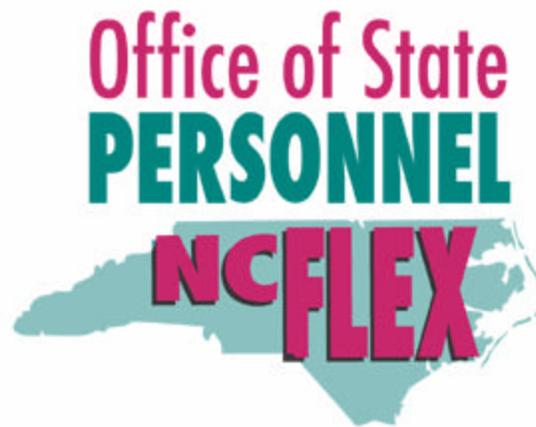
Before 1995, the State’s benefits programs were fragmented and not cost effective; however, because of Pani’s “can do attitude”, he obtains positive results. He builds solid partnerships among state agencies, universities and community colleges; effectively communicates and resolves administrative, legal, procedural and political obstacles encountered in managing the NCFlex program. Examples of some of these challenges:

Challenges	<i>Strategic Results</i>
1. Unify voluntary benefits offered through 22 payroll systems.	Now, employees who transfer departments take their original benefits, which provide consistency and portability within the program.
2. Centralize Administration	Early observation of benefits utilization trends ensures timely plan design changes to contain benefit costs for employees and the state.
3. Antiquated Computer Systems	An FTP site for the state web site permits vendors to obtain and process their enrollment forms and bill individual payrolls.
4. Benefit offerings consensus	A Statewide Flexible Benefits Committee, composed of representatives from all state agencies, helps to meet employees’ needs.
5. Obtain the best insurance plans for the least premium costs	Centralized benefits administration allows the volume of state employees to reap the rewards of market competition through economies of scale.
6. Help employees understand benefits	Employees have become knowledgeable about the added value of their benefits, which is fostered by educational materials a video at the web site ( <a href="http://www.ncflex.org">www.ncflex.org</a> ).
7. Maximize fiscal rewards	NCFlex rewards the State and its employees by permitting better benefits plan structure and administration.
8. Recruitment & Retention	A competitive compensation/benefit helps the State recruit and retain employees.
9. Voluntary Benefit Programs	By offering participants benefits purchased with pretax dollars, employees pay lower taxes and have more take-home pay. Also, when participants’ pretax income is lowered, agencies and plan participants pay less in Social Security (FICA) payroll taxes.

In summary, because Pani is frequently evaluates NCFlex to ensure employees’ satisfaction, and solicits employee/vendor involvement when selecting and revising the program, the program is a tremendous success with employees and providers. Finally, Pani’s leadership confirms bottom line savings through cost effective management and resourcefulness. Presently, the State has saved over \$ 10,000,000 in FICA taxes in the past 11 years.

## 2006 ROONEY AWARD

Nomination: Innovative State Human Resource Management



Program Title: " NCFlex Benefits Program"

State: North Carolina

Contact Person: Pani Tademeti, CPM, MBA, IPMA-CP

Title: NCFlex Benefits Program Manager

Agency: Office of State Personnel

Mailing Address: 1331 Mail Service Center, Raleigh, NC 27699-1331

Telephone: 919.733.6316

Fax: 919.715.0237

E-mail: [Pani.Tademeti@ncflex.net](mailto:Pani.Tademeti@ncflex.net)

North Carolina NCFlex Benefits Program

## NARRATIVE ANSWERS

### 1. Description of Program: NCFlex Benefits Program

In 1989, the N.C. General Assembly enacted House Bill 1129, authorizing the establishment of four dependent care assistance programs...the public school system, community colleges system, University of North Carolina and one for other departments in State government. However, during the early implementation of the dependent care program, it experienced low participation.

In July 1990, the N. C. General Assembly enacted House Bill 1314, ratified as Chapter 1059, 1989 Session Laws (Regular Session 1990), authorizing the establishment under IRS Section 125, of flexible compensation plans...again for the above mentioned four programs.

On December 5, 1994, the Governor issued Executive Order #66. This order formalized a statewide flexible benefits coordination effort. It designated central flexible benefits coordination for all State employees to the State Personnel Director, and established a Statewide Flexible Benefits Advisory Committee, to assist in the development and maintenance of the program. From 1989 to 1995, the financial and payroll part of the Dependent Care Assistance Program (DCAP) was administered by the State Controller's Office. There were approximately 700 employees participating in the program that was administered by a Third Party Administrator. The Third Party Administrator processes enrollment forms, payroll information, reimbursement requests, issues checks to employees, provides free customer service, and conducts discrimination testing, etc.

The purpose of the Statewide Flexible Benefits Program (established, January 1, 1996) is to provide certain taxable and nontaxable benefits to eligible employees of the employer. The Statewide Flexible Benefits Program is intended to constitute a cafeteria plan, within the meaning of Section 125 of the IRS Code. In addition, it is intended that the Statewide Benefits provide certain Medical Reimbursement Benefits in accordance with the terms of Section 105 and 106 of the IRS Code, Dependent Care Benefits in accordance with the provisions of Section 129 of the IRS Code, and Payroll Reduction of Compensation for dental coverage in accordance with the terms of Section 105 and 106 of the IRS Code.

### 2. How long has this program been operational (month and year)?

- Since January 1, 1996. The newly expanded program provides a (1) Health Care Flexible Spending Account, which provides tax-free dollars to pay for expenses that an employee or a family member may incur that is not

paid by insurance. (2) Dependent Care Spending Account, which provides day care expenses or after school expenses, if you have a child under the age of 13 or an eligible child, spouse or other dependent of the employee (e.g., a disabled elderly parent) who is physically or mentally incapable of caring for himself or herself and who has the same principal residence as the employee for more than one-half of the year. (3) Pre-tax Dental Plan in which premiums are deducted before federal, state, or Social Security taxes are taken out. In 1997, (4) Discount Vision was added which was free to all NCFlex participants. Services included eye exams, glasses and contact lenses. In 1998, (5) Accidental Death and Dismemberment Insurance was added that provides a benefit to your survivors if you die as the result of an accident.

3. Why was this program created?

- **Allows Portability of Benefits:** Except for the State Health and Retirement benefits; all NCFlex voluntary benefits are offered individually by each payroll center. Employees transferring from one department to another can keep the same valued benefits from department to department. This makes the program very portable and consistent.
- **Offer Quality Benefits at Competitive Prices:** The bid process, Centralized Benefits administration will assist in reaping the benefits of market competition as well as competitive products premiums for employees irrespective to whether they are part of a small agency or a large university system.
- **Contain Rising Costs of Health Care:** Centralized administration will facilitate the observation of utilization trends in the claims and make the necessary modifications to help contain the cost of the premiums paid by employees.
- **Provide Benefit Choices:** Empower employees with benefit knowledge so they make wise choices among several voluntary options.
- **Meet Employees' Health Care Needs:** Establishment of a Statewide Flexible Benefits Committee, comprised of representatives from all state agencies, ensures that the needs of all employees are met.

4. Why is this program a new and creative method?

- **Offers Additional Benefits Coverage for State Employees:** It has established a single statewide program and administration of flexible spending accounts and other health and welfare benefits for all state employees on a plan year basis. The NCFlex benefits have portability, which allows benefits to be transferable between agencies.

- **Allows the State to Recruit and Retain Valuable Employees:** The need for the state to be competitive is met. A competitive compensation package helps the State recruit and retain employees.
  - **Provides Tax-Savings for Employees:** The Statewide flexible benefits program will help compliance needs to reduce the risk of exposing both the state and its employees to undesirable tax and discrimination consequences. The employer and the employee enjoy a tax savings and saves money.
  - **Maximizes Fiscal Rewards:** It will maximize fiscal rewards shared by both the state and its employees.
  - **Creates Consistency and Efficiency in Benefits Administration:** It permits a better benefits plan structure and administration.
5. What was the program's start up costs? The start up cost of the program was approximately \$100,000.
- 6. What is the program's operation costs. Operational cost for the program in 2005 were \$1,041,316.**

	95/96*	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05
<b>FICA Savings</b>	433,869	814,558	1,055,222	1,470,433	1,640,679	2,046,784	2,588,004	2,961,531	5,387,281	7,987,828
<b>Admin. Expenses</b>	294,087	370,648	592,806	494,916	539,488	632,803	748,084	708,267	837,121	1,041,316
<b>Savings</b>	139,782	443,910	462,416	975,517	1,101,191	1,413,981	1,839,920	2,253,264	4,550,160	6,946,512
<b>Forfeitures</b>	40,528	63,370	100,786	94,923	122,545	175,480	180,937	115,332	86,748	Not Avail
<b>Total Savings</b>	108,310	507,280	563,202	1,070,440	1,223,736	1,589,461	2,020,857	2,268,596	4,636,908	Not Avail

**\*NCFlex Program began in January 1996**

7. How is the program funded? Pre-tax savings from FICA savings fund this program.
8. Did the program originate in you state? Yes.
9. Are you aware of similar programs in other states? Other states have similar plans in operation presently. This plan is easily adaptable to other states. There are other cafeteria programs; however, based on our last survey this program is the most comprehensive and had the largest number of participants at 145,155 in 2006.
10. How do you measure the success of this program? The program's success is measured by customer satisfaction surveys and by its phenomenal annual increase in participation levels. The most recent benefits satisfaction survey was conducted in January/February 2006. The purpose of the survey was to obtain feedback on the benefits offered and the vendors' customer service. Approximately 80% of survey

respondents ranked the overall program as “very good” or “good” with regard to both quality of benefits offered and vendor service. The chart below outlines the percentage of respondents that ranked each of the benefits as “very good” or “good.”

<b>Benefit</b>	<b>Quality/Value of Benefit</b>	<b>Service Provided</b>
Dental	66%	78%
Vision Care	76%	84%
Supplemental Medical	70%	66%
Cancer	80%	82%
Voluntary AD&D / Worldwide Travel Assistance	83% / 78%	84% / 77%
Voluntary Group Term Life	80%	79%
HCFSA / DDCFSA / Convenience Card	93% / 84% / 76%	80% / 75% / 59%

**11. How has the program grown since its inception?**

**NCFlex ANNUAL PARTICIPATION LEVELS**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Health Care Account</b>	N/A	4,447	5,300	6,765	7,728	8,676	11,125	12,846	13,847	14,989	17,645	18,969
<b>Dependent Care Account</b>	727	1,177	1,300	1,483	1,562	1,609	1,739	1,798	1,829	1,867	2,043	2,156
<b>Dental Plan</b>	N/A	5,246	10,400	15,313	17,814	20,252	22,304	24,907	27,749	31,200	35,416	39,085
<b>Vision Plan</b>	N/A	N/A	10,458	N/A	2,717	5,906	11,462	16,581	20,254	26,140	31,759	35,115
<b>Accidental Death &amp; Disability</b>	N/A	N/A	N/A	5,359	9,554	12,783	17,230	20,536	22,746	25,064	26,449	27,164
<b>Supplemental Medical</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,142	2,150	5,357	5,445
<b>Group Term Life Plan</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,079	8,519
<b>Cancer Plan</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6,342	9,204
<b>Total Participation</b>	727	10,870	27,458	28,920	39,375	49,226	64,166	76,668	88,567	101,646	145,657	Unavail.