



# Premium Reserve Accounting Best Practices




## Establish a core benefits package paid for by the H&W

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- A realistic estimate of expected hours (typically less than 40 hours/week)
  - Variations of expected H&W based on different H&W rates (\$4.54, \$4.60, \$4.80, etc.)
  - Benefits package to include:
    - At least employee-only medical plan (meeting ACA MEC requirements)
    - Administrative expenses allowable towards H&W obligation
    - Combination of Basic Life, Basic AD&D, EAP, STD, LTD (as much as possible)
    - 'Cushion' for employees to gradually build PRA balance to the threshold point
  - Fixed payroll deductions for any coverages that exceed the expected fringe

## PRA threshold set at 3 months of benefit expenses

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- Employer determines PRA threshold
  - PRA threshold can vary by contract
  - PRAs balances up to the threshold are retained to pay for benefits during periods when employees do not work expected hours and thus do not generate the expected H&W.
  - PRA balances above the threshold are allocated to an employer-designated surplus account (typically retirement plan)

## PRA Contribution Adjustments (PRACA)

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- PRACA are employer contributions to the PRA, above the H&W requirement, to keep the PRA at a \$0 balance and ensure the long-term financial viability of the trust
  - PRACA contributions are "paid back" to the employer in future periods when the employee accumulates a PRA balance (i.e. when PRA contributions exceed deductions)
  - PRACA balances are tracked per employee and can be deducted from employee's paychecks with employee approval or a written policy.

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