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PENNSYLVANIA TEST AUDIT PROGRAM **BULLETIN #124**

TREATMENT OF PREVAILING WAGE FRINGE BENEFIT PAYMENTS

On October 3, 2019, the PCRB and the DCRB announced revisions to Basic Manual Rule V- Premium Basis, effective for new and renewal policies issued on or after December 1, 2019 in Delaware and April 1, 2020 in Pennsylvania. The most significant change to Rule V involves the treatment of prevailing wage fringe benefits paid directly to an employee. The purpose of this Test Audit Bulletin is to provide clarification and address some of the questions received regarding these upcoming procedural changes.

Current PCRB/DCRB procedure allows for the exclusion of the fringe benefit amount of a prevailing wage contract from the premium calculation when paid directly to the employee. Fringe benefits for prevailing wage work are stipulated by the contract and are bona fide benefit contributions. Examples of fringe benefits include pension/retirement contributions, life insurance, disability insurance, vacation/holiday plan or fund contributions and medical insurance.

The fringe benefit amount does not include the difference between the employee's normal hourly wage and the higher wage which they receive as part of the prevailing wage contract; this difference in wage amount has always been included as remuneration for premium calculation purposes in accordance with Basic Manual rules.

With the approval of the Rule V changes, the PCRB and the DCRB will be including as remuneration for premium calculation purposes any prevailing wage fringe benefit amounts paid directly to an employee. Only fringe benefits payments directed to a separate group insurance product, pension plan or third party administrator may be excluded. In accordance with this change to Rule V, the language for the Section 2 Prevailing Wage Payments entry in the General Auditing and Classification section is also being revised. This change to the fringe benefit component of a prevailing wage situation will bring Pennsylvania and Delaware into alignment with other jurisdictions nationwide.

This change does not impact the calculation of Construction Classification Premium Adjustment Program credits as this calculation is, and will continue to be, based upon total wages paid.

For additional details regarding these changes refer to PCRB Circular No. 1726 and DCRB Circular No. 967, respectively, under the "Circulars" tab of either website. The Basic Manuals will be updated at a later date.

For any questions regarding this Test Audit Bulletin, contact Roxanne Walker, Senior Field Operations Analyst – Technical Services, at (215) 320-4578 (rwalker@pcrb.com), or Christina Yost, Manager – Field Operations, at (215) 320-4552 (cyost@pcrb.com).

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