

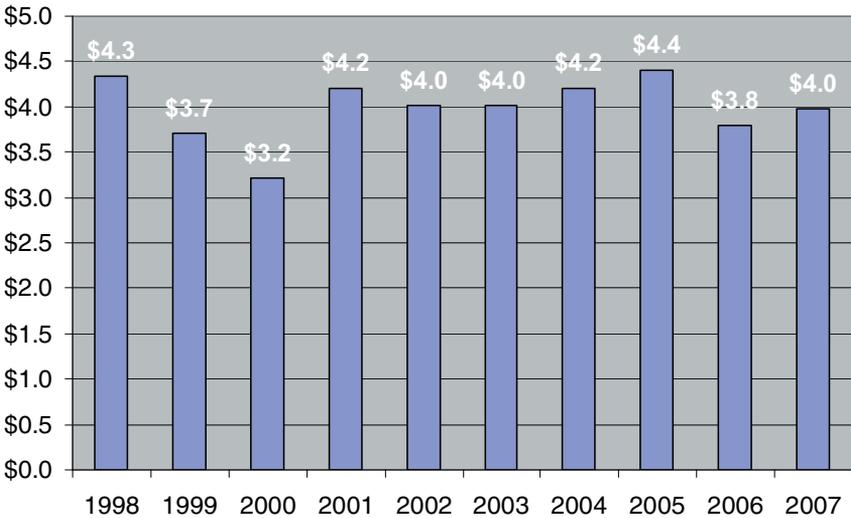


FICA Savings by the State and the Employees

The flexible benefits plan administered by EBC allows the state and its employees to experience FICA tax savings. Table 5 illustrates the total savings by the state and its employees during a 10-year period ending December 31, 2007.

Table 5

FICA Savings



(State & Employee - In Millions)

Under the Federal Insurance Contributions Act (FICA), 12.4 percent of an employee's earned income, up to an annual limit, must be paid into Social Security, and an additional 2.9 percent must be paid into Medicare. For 2007, that limit was \$97,500. State employees pay only half the FICA bill (6.2 percent for Social Security + 1.45 percent for Medicare). The state contributes the other half. So, that means 7.65 percent of an employee's paycheck is withheld and the state pays another 7.65 percent on the employee's behalf. If an employee chooses to pay for out of pocket premiums on a pre-tax basis through premium conversion, the state's FICA obligation decreases.