

**ETA HANDBOOK NO. 410, 4<sup>th</sup> EDITION**  
**APPENDIX I**

**Calculating Personal Service and Personnel Benefit Increases**

The RJM provides a method for states to request increases in personnel service costs and personnel benefit costs. These calculations must be based on legislation, union agreements, state published increases, or the state's established historical pattern. States are permitted to include those anticipated increases if they can provide a detailed justification to show how they determined the increases.

If an increase occurs on October 1 of a fiscal year, then it is a simple calculation of multiplying the percent increase by the ending cost for the previous year.

Ending salary Previous Year	\$40,000
Percent increase	.06
Total salary for Current Year	\$42,400

In the case where an increase occurs during some other month other than the first month of the fiscal year, a portion of the raise will be allocated proportionally over the next twelve months.

Ending salary Previous Year	\$40,000
Percent increase	.06
Increase per month	\$200
Number of months that the raise is effective	9
Increase in Current year	\$1,800
Total salary for Current Year	\$41,800

Increase for Next Year	
Increase per month	\$200
Number of months that the raise is effective	3
Increase in Current year	\$600

If an increase occurred during the Previous Year, other than on Oct 1, a portion of that raise is include in the Previous Year and the remaining portion of the raise should be included in the Current Year calculation. A determination has to be made on the average PS as of the effective date of the increase. The following formula will be used for this determination.

Average PS per position for Previous year	APS
Percent increase	I
Months the raise was effective in Previous year	M

Average PS before increase PSB

$$PSB = APS / 1 + (I * (M / 12))$$

Personnel service cost per position-Previous Year	\$42,480
Percent Increase	.05
Effective date of increase-July 1	
Months that the increase was in effect-Previous Year	3

$$PSB = \$42,480 / 1 + (.05 * (3/12))$$

$$PSB = \$41,956$$

Proof:

Average salary as of July 1	\$41,956
Percent Increase	.05
Monthly increase	\$174.73
Months increase in effect <span style="float: right;">3</span>	\$524
Personnel service cost per position-Previous Year	\$42,480
Months increase in effect Current Year	9
Monthly increase	\$174.73
Requested increase for Current Year	\$1,573

There are two basic types of personnel benefit increases. There would be an increase in personnel benefit dollars as a result of an increase in personal service dollars. This may not be the same percent as a regular personnel benefits increase, as personnel benefits ratios usually consist of a fixed percent for some items and a cost per position for others.

Example:

FICA	7.65
Retirement match	6.00
Health insurance (per position \$975)/42480	2.30
Total PB rate	15.95

In this example only the 7.65 for FICA and the 6.00 for retirement match would the BP increases as a result of the PS increase or \$215.

The other type of increase in PB dollars is the result of an increase in the rate that is applied to the entire PS rate and an increase in the rate or an increase in cost per position. Examples would be the state increasing the retirement match from 6.0% to 6.5% or the cost of health increasing from \$975 per year to \$1,300 per year.