

ALERT

DOL Increases Rate of Prevailing Health and Welfare Fringe Benefits Under the SCA

July 28, 2017

WHAT: On July 25, the Department of Labor (DOL) issued All Agency Memorandum Number 225 (AAM 225), which increases the rate of the prevailing health and welfare fringe benefits issued under the McNamara-O'Hara Service Contract Act (SCA) to \$4.41 per hour. Notably, AAM 225 also includes a second SCA health and welfare fringe benefits level for employees performing on contracts covered by Executive Order (EO) 13706, Establishing Paid Sick Leave for Federal Contractors. That health and welfare rate will be \$4.13 for each hour performing work on a contract covered by EO 13706. This second, alternate rate excludes the sick leave portion of the calculated health and welfare rate because employer contributions made to satisfy the employer's obligations under EO 13706 may not be credited toward the contractor's obligations under the SCA. This is the first time in two years that the health and welfare rates have increased.

AAM 225 also sets new SCA health and welfare fringe benefits levels for Hawaii to reflect the state law that requires most employers to provide health insurance coverage for their employees: \$1.63 per hour for employees covered by EO 13706 and \$1.91 per hour for all other employees.

WHEN: The new rates will go into effect on August 1, 2017, but are not effective for already awarded contracts unless incorporated into that contract.

WHAT IT MEANS FOR INDUSTRY: Contractors can expect to see the new health and welfare fringe benefit rates in solicitations issued or contracts awarded on or after August 1, 2017. AAM 225 does not address incorporation of the revised rates into existing contracts, so

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contractors should plan for agencies to follow the ordinary practice of incorporating revised wage determinations (with the new health and welfare rates) at option exercise or contract anniversary dates, as applicable. Regardless, contractors should pay close attention to ensure that they flag and address any efforts by contracting agencies to modify existing contracts to include any of these new health and welfare rates outside of the ordinary cycles.