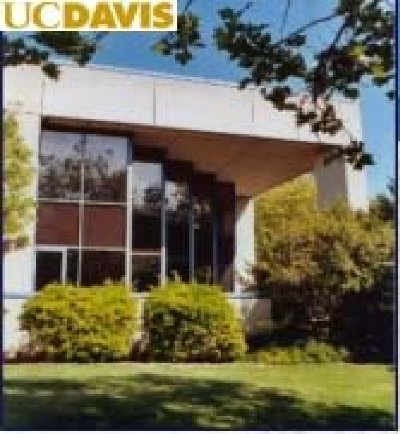

Research Administration Forum

Update on Composite Fringe Benefit Rates Development

July 22, 2009

Outline

- Background
- Kuali Financial System
  - Labor distribution module
- Composite Fringe Benefit Rates
- Rate Development
- Next Steps
- Questions

UC & Composite Benefit Rates

- July 2000
  - UC Composite Benefit Rates Work Group
    - Payroll expense distribution run monthly
- October 2003
  - UC Controller's Report: *Ideas to Leverage Resources and Increase Efficiencies in Admin. Processes*
    - Recommended development of composite benefit rates
- January 2004
  - Input from IR&C, Payroll Managers, UC Budget Office
    - With no change in approach to LD and PPS - determined that benefit rates were not feasible

Kuali Financial System Labor Module

- Provides a subsidiary ledger that holds payroll and employee benefit detail supporting general ledger balances
- Enables payroll detail to be fed after each payroll run (compute) rather than monthly
- Enables payroll and /or employee benefit cost transfers in the financial system rather than in the payroll system
- In order to do this, KFS uses an employee benefit rate to charge departments rather than charging specific costs of individual employees' benefit packages
- *Planned KFS Labor implementation – July 2011*

Composite Fringe Benefit Rates

- Applicable regulations
  - OMB Circular A-21 Section J.10.f allows universities to charge fringe benefits to activities via:
    - Direct assignment to employees
    - Allocation method with fixed rates applied through composite fringe benefit rates established by selective groupings of employees
- Comparison institutions
  - Only 1 of 10 comparison schools charges specific employee cost (Michigan)
  - Rate models vary in how they define employee and benefit groups (U. of Illinois closest to current UCD model)

Composite Fringe Benefit Rates

- Advantages
  - To provide consistent accumulation and allocation of fringe benefits expenses to all functional activities as required by Cost Accounting Standards 501 and 502
  - To improve the budgeting process for all University funds and standardize benefit costs across employee groups
  - To simplify the accounting for fringe benefits expenses
    - Fixed rate with carry-forward

Composite Fringe Benefit Rates

- Project Goals
  - To develop a relatively simple, logical, easy to understand and implement model
  - To utilize existing attributes in PPS
  - To develop a fringe benefit proposal that is acceptable to DCA auditors and the Campus
  - To develop a rate structure with accurate projections of future costs
  - To minimize changes from current cost distribution by fund sources (SFGT) and Org (level 1)
    - FY 2007-08 allocating $291 Million in base fringe benefits over $1.4 Billion in salaries

Fringe Benefit Rate Development

- Proposed Employee Groupings (as of July 17, 2009)
  - Retirement Eligible
    - Academic and MSP Appointments ~ 18%
    - Staff & Support Personnel ~ 29%
    - Nurses & Research Allied Professionals ~ 21%
    - Medical & General Compensation Plan Faculty ~ 12%
    - Service Professionals ~ 40%
  - Non-Retirement Eligible
    - Postdoc employees ~ 17%
    - Academic and Staff Appointments ~ 4%
    - Graduate and Undergraduate Students ~ 2%
  - Other
    - Separate rate for annual leave
    - Separate rate for GSR T&F Remission – 3 options

Next Steps

- Utilize FY 2007-08 data to develop our preliminary model and refine with FY 2008-09 data
- Campus communications – *approval to go forward?*
- Develop Fringe Benefit submission package based on FY 2009-10 actual data and projected costs
- Submit final Fringe Benefit proposal to DCA by November 2010
  - Finalize rates by January 2011
- Implement rates for July 1, 2011

Questions ?