

January 9, 2006

VICE CHANCELLORS  
VICE PROVOSTS  
DEANS  
BUSINESS MANAGERS

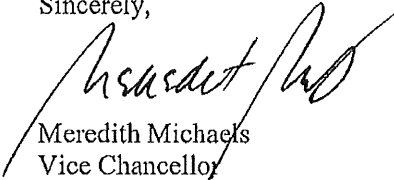
RE: Revised Formula for Employee Benefit Funding

I am writing to provide you with updated information regarding the campus's policy for funding employee benefits. As described in more detail in the attachments, this policy applies whenever a new position is created or an existing position has an increase in FTE. All positions paid from General Funds, as well as funds 66043, 66051, and 69750 are affected.

The new benefits rate will go into effect after the close of the 12/31/05 staffing list, which will occur in mid-January. For a newly created position at or above 0.44 FTE, or when an existing position's FTE is increased to 0.44 FTE or more, the contribution rate will be \$7,210, plus 13.5% of the annual salary. Other FTE increases will have to contribute only 13.5% of the annual increase amount. The fixed portion of the rate is based on the average cost of dental, health, vision and employer paid life and disability insurance. The variable portion is based on those benefit costs that are calculated as a percentage of the employee salary, such as OASDI, workers' compensation, unemployment insurance, etc.

The automated calculations performed by the Budget System (FMW) will be modified to reflect the new rates. Please contact Free Moini (extension 9-4304 or [fbmoini@cats.ucsc.edu](mailto:fbmoini@cats.ucsc.edu)) if you have questions regarding the policy or its implementation.

Sincerely,



Meredith Michaels  
Vice Chancellor  
Planning and Budget

cc: Director Dettman  
Assistant Vice Chancellor Eckert  
Principal Analyst Lawson  
Campus Provost and Executive Vice Chancellor Klinger  
Assistant Director Moini  
Assistant Deans/Assistant to the Deans  
Assistant/Associate Vice Chancellors

## **INSTRUCTIONS AND GUIDELINES FOR EMPLOYEE BENEFIT CONTRIBUTIONS FOR GENERAL FUNDED\* STAFF POSITIONS**

### **General Guidelines:**

- Contributions will be required for all new staff positions funded by General Funds\*, as well as existing positions when there is an increase in FTE.
- The contribution rate may vary annually, depending on changes in the employer contribution rate for health coverage, workers compensation, unemployment insurance, etc. The Planning and Budget Office will periodically review the contribution rate and revise it based on changes in employee benefit costs.
- Contributions to the central employee benefit pool must occur at the time the position is established in the permanent budget.
- Employee benefit rebates will be made when a staff position is eliminated and will be coordinated with the appropriate dean or vice chancellor. (Note: Open provisions which have not been filled at any time during the previous fiscal year do not qualify for a rebate. In the case of a major reorganization which results in the elimination of several staff positions, the employee benefit rebate is subject to negotiation, unless documentation is produced indicating the unit contributed to the benefit pool for the positions eliminated.)

### **Instructions:**

#### ***To Contribute Benefits***

1. Prepare a BSL form to establish the new staff position and a TOF form prorated for the current year. FMW will automatically calculate the permanent funded portion when a journal is entered; however, a paper TOF will still need to be prepared for the current year portion. The new position is established in a departmental organization, and the employee benefit contribution is credited to the central employee benefit pool (809999).
2. The employee benefit rate has a fixed rate and a salary driven component. The fixed rate is based on the average cost of dental, health, vision, and employer paid life and disability insurance. This cost is \$7,210 for all positions which are .44 FTE or more. For positions that are less than .44 FTE, there is no fixed cost. For furloughed positions, the fixed cost will be based on the position's percent of full time, rather than the FTE (see example below).

The variable rate is based on those benefit costs which are calculated as a percentage of the employee salary (i.e., workers compensation, unemployment insurance, OASDI, etc.) This rate is 13.5%, and applies to all new staff positions regardless of FTE, as well as existing staff positions when there is an increase in FTE.

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\* Includes positions budgeted on funds 66043, 66051, and 69750, in addition to General Funds.

**EXAMPLE OF EMPLOYEE BENEFIT CALCULATION:**

	<b>Benefits:</b>			
	<b>Salary</b>	<b>Fixed Cost @ \$7,210</b>	<b>Salary Driven Cost @ 13.5%</b>	<b>Total Permanent Contribution</b>
New 1.00 FTE Asst. II	30,000	7,210	4,050	11,260 (37%)
New .50 FTE Asst. II	15,000	7,210	2,025	9,235 (62%)
Increase Existing Asst II by .25 FTE	7,500	0	1,013	1,013 (13%)
New 1.00 FTE Manager	75,000	7,210	10,125	17,335 (23%)
New .42 FTE Asst II (50% full time with 2-mo furlough)	12,600	7,210	1,701	8,911 (71%)
Split 1.0 FTE Analyst into two 0.5 FTE Analysts (no salary change)	50,000	7,210	0	7,210 (29%)
Existing .25 FTE Asst II (\$30,000) increased to .50 FTE	7,500	7,210	1,013	8,223 (62% of total salary)

Note that the prorated current year amount would also need to be provided.

***To Receive An Employee Benefit Rebate***

1. Prepare a BSL form to delete the staff position. Rebates will be provided at 50% of the contribution calculation noted above or the actual benefits contributed by the department at the time the position was established (which ever is greater). The following table provides an example of how to calculate the employee benefit rebate:

	<b>Benefits:</b>				
	<b>Salary</b>	<b>Fixed Cost @ \$7,210</b>	<b>Salary Driven Cost @ 13.5%</b>	<b>Subtotal</b>	<b>Rebate @ 50%</b>
1.00 FTE Asst. II	30,000	7,210	4,050	11,260	5,630
.50 FTE Asst. II	15,000	7,210	2,025	9,235	4,618
.40 FTE Asst. II	12,000	0	1,620	1,620	810
1.00 FTE Manager	65,000	7,210	8,775	15,985	7,993
Reduce 1.0 FTE Asst II to 0.50 FTE	30,000				None

Forward the BSL form to Planning and Budget for completion. Rebates will only be provided for elimination of staff positions which were filled during the previous year, or where the department can provide documentation indicating that employee benefits were contributed to the central benefit pool by the department when the position was initially established. Rebates will not be provided if an FTE is simply reduced, but not eliminated. All benefit rebates will be coordinated with the appropriate dean or vice chancellor.