February 18, 2015

VICE CHANCELLORS
VICE PROVOSTS
DEANS
BUSINESS MANAGERS

Re: Updated Formula for Employee Benefit Funding

The campus has a long standing policy for funding employee benefits. The policy is updated each year to reflect the most current cost estimates for employer-paid benefits. Below you will find the updated rates for the 2015-16 fiscal year.

Over the past couple of years, we have provided information regarding the adoption of composite benefits rates across the UC system. Implementation of these rates continues to be deferred along with the transition to the UC Path system, and it is unlikely they will be in effect for 2015-16. If you are interested in understanding a little more about how composite benefits rates work, please refer to last year's letter, which is located at: http://planning1.ucsc.edu/budget/policies.asp. Composite benefits rates will result in a significant change to current budget practices. You may want to start considering how this will impact your budget planning. Additional information will be provided as it becomes available.

Because benefits funding for certain funds are managed centrally, permanent funding is required when a new position is created or an existing position has an increase in FTE. This applies to positions paid from the following funds: 19900, 19906, 19917, 19924, 20000, 20095, 66043, 66051, and 69750. Please refer to the attachment for additional details.

For a newly created position at or above 0.44 FTE, or when an existing position is increased to 0.44 FTE or more, the contribution rate will be:

$13,000 plus 27.25% of the annual salary for all funds except 20000, and
$13,000 plus 28.5% of the annual salary for Student Services Fees (fund 20000)

Other FTE increases pay only 27.25% of the annual increase amount (or 28.5% for Student Services Fees).

The fixed portion of the rate is based on the average cost of dental, health, vision and employer-paid life and disability insurance across campus. The variable portion is based on those benefit costs that are calculated as a percentage of salary, such as OASDI, workers' compensation, unemployment insurance, retirement, etc. in accordance with established rates.

The policy allows for a benefits rebate when an existing staff FTE is completely eliminated. The amount of the rebate will be the greater of:

1) The total benefits contribution made when the FTE was originally established, or
2) 50% of the *prior* benefits formula that was in effect ($12,260 plus 27.25% of the annual salary for most funds and $12,260 plus 28.5% of the annual salary for Student Services Fees).

The automated calculations performed by the Budget System (FMW) will be modified to reflect the new rates, effective March 31, 2015, to coincide with the ability to enter incremental 2015-16 budget year transactions. Please contact Free Moini (extension 9-4304 or fbmoini@ucsc.edu) if you have questions regarding the policy or its implementation. If you have questions about composite benefits rates, you should contact Troy Lawson (extension 9-4338 or telawson@ucsc.edu).

Sincerely yours,

Peggy Delaney

Margaret L. Delaney
Vice Chancellor
Planning and Budget

cc: Campus Provost/EVC Galloway
Director Lawson
Director Moini
Assistant Deans/Assistant to the Deans
Assistant/Associate Vice Chancellors

INSTRUCTIONS & GUIDELINES FOR EMPLOYEE BENEFIT CONTRIBUTIONS

General Guidelines:

- Contributions are required for all new positions funded by General Funds (19900, 19906, 19917, and 19924), Student Services Fees (20000), Tuition (20095), and funds 66043, 66051 and 69750, as well as existing positions when there is an increase in FTE. Contact Planning & Budget before creating any new non-staff FTE.

- The contribution rate may vary annually, depending on changes in the employer contribution rate for health coverage, workers compensation, retirement, etc. Contribution rates will be periodically reviewed and revised 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.

- A staff position that is completely eliminated may be eligible for a benefits rebate, which 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. Major reorganizations that result in the elimination of or changes to several staff positions, will be evaluated on a case-by-case basis for determining rebates, unless documentation is produced indicating the unit contributed to the benefit pool for the positions eliminated.)

Instructions:

To Contribute Benefits

1. Prepare an FMW journal to establish the new 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 $13,000 for all positions which are .44 FTE or more. For positions that are less than .44 FTE, there is no fixed cost. For furloughed or partial-year positions, the fixed cost will be based on the position's percent of full time, rather than the FTE (see example on the next page).

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, retirement, etc.) This rate is 27.25% (28.5% for Student Services Fees), and applies to all new positions regardless of FTE, as well as existing positions when there is an increase in FTE.

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[*] The automated calculation in FMW is based on the General Fund rate. For Student Services Fee funded benefits, please route the FMW journal to Troy Lawson in Planning and Budget for adjustment to the required contribution amount and posting.

EXAMPLES OF EMPLOYEE BENEFIT CALCULATION:

	Salary	**Fixed Cost @ $13,000**	**Salary Driven Cost @ 27.25%**	**Total Permanent Contribution**
New 1.00 FTE Asst. II	37,000	13,000	10,083	23,083 (62%)
New .50 FTE Asst. II	18,500	13,000	5,041	18,041 (98%)
Increase Existing Asst II by .25 FTE	9,250	0	2,521	2,521 (27%)
New 1.00 FTE Manager	80,000	13,000	21,800	34,800 (44%)
New .42 FTE Asst II (50% time with 2-mo furlough)	15,540	13,000	4,235	17,235 (111%)
Split 1.0 FTE Analyst into two 0.5 FTE Analysts (no salary change)	50,000	13,000	0	13,000 (52%)
Existing .25 FTE Asst II ($37,000) increased to .50 FTE	9,250	13,000	2,521	15,821 (84% of total salary)

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

To Receive An Employee Benefit Rebate

Prepare a paper FMW journal to delete the staff position. Rebates will be provided at 50% of the prior contribution calculation in effect (i.e. $12,260 plus 27.25% of the annual salary) or the actual amount contributed by the department at the time the position was established (whichever is greater). The following table provides examples of how to calculate the employee benefit rebate:

	Salary	**Fixed Cost @ $12,260**	**Salary Driven Cost @ 27.25%**	**Subtotal**	**Rebate @ 50%**
1.00 FTE Asst. II	37,000	12,260	10,083	22,343	11,171
.50 FTE Asst. II	18,500	12,260	5,041	17,301	8,650
.40 FTE Asst. II	14,800	0	4,033	4,033	2,016
1.00 FTE Manager	75,000	12,260	20,438	32,698	16,349
Reduce 1.0 FTE Asst II to 0.50 FTE	37,000				None

Forward the FMW 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. No current year rebate is provided.