October 17, 2019

KIMBERLY LAU, Chair, Academic Senate
DEANS
ELIZABETH COWELL, University Librarian
VICE CHANCELLORS
VICE PROVOSTS

Subject: UCPath, Composite Rates, and Changes to Benefit Pool Participation

Dear Colleagues,

Effective January 1, 2020, UC Santa Cruz will implement UCPath, the system-wide payroll, academic personnel, and human resources system. One of the changes this will bring is the mandated use of composite rates for benefits, plus vacation accrual, employer-paid liability insurance, and UC retirement plan supplemental assessment interest. A composite rate is an average of the projected benefit costs for the employer for a given employee class category across the projected gross earnings of the relevant employee group for a particular fiscal year. These are required changes in how the costs for each category are charged. This letter summarizes those changes, and more information is available at https://planning.ucsc.edu/budget/policy/ucpath_composite_benefit_rate.html. This letter also describes the new procedure for participation in the central benefits pool for a new permanently budgeted position on core funds (i.e., "buying in").

Composite Benefit Rates (CBR). The following paid benefits are combined and charged at the CBR applicable to each Employee Group: Benefits Administration, Dental, Disability, Employee Support Programs, FICA Tax, Life Insurance, Medical, Retiree Health Benefits, Matching Retirement Contribution, Senior Management Supplement, Unemployment Insurance, Vision, Workers' Compensation. This replaces the current system of multiple benefit charges for an individual employee with the amount paid by the employer based on the selection of benefit choices by that employee.

The derived CBRs, each expressed as a percentage of total earnings, are approved in negotiation with the relevant federal agency, and they will be cost-adjusted each year. The campus has six employee groups:

- faculty and other academics
- faculty summer salary
- non-full benefit positions
- post-doctoral scholars
- staff, exempt and non-exempt
- student employees

CBRs by employee groups for January 2020-June 2020 and for academic year 2020-2021(FY21) are available at this address (https://planning.ucsc.edu/budget/policy/cbr-rate-tables.html). We created a mitigation program (https://planning.ucsc.edu/budget/policy/cbr-mitigation-4grants.html) for external grants and contracts when actual benefit expenditures on awards budgeted before CBRs were applicable exceed the amounts budgeted.

Vacation Leave Accrual, General Liability, and UCRP Supplemental Assessment Interest

Vacation Leave Accrual (VLA) is currently charged to the employer as employees earn vacation days at the individual's salary/wage. This will be replaced by a Composite Rate assessment, currently at 8% for accruing staff and non-faculty academics, as well as for the small fraction of faculty who accrue vacation. The composite VLA is a federally compliant assessment, and this structure is mandated by UCPath processes.

General Automobile and Employee Liability (GAEL) is a University of California assessment to cover various liability and related loss prevention programs that cover all employees. The composite rate for GAEL (currently 1.5%) will be assessed on the salaries of all university employees based upon funding source. GAEL rates are reviewed and adjusted annually. This was previously covered by a benefit rate additive, so this is a change in how units are charged but not in who pays. Federal funds and federal flow thru funds cannot be charged the GAEL assessment.

The **UCRP Supplemental Assessment Interest** will be charged as a composite rate, currently 0.77%. The UC Retirement Plan (UCRP) Supplemental Assessments cover debt service on advances made to UCRP from the UC short term investment pool and external financing in order to help pay down unfunded UCRP liability. The principal portion is embedded in CBR rates. The interest portion (RPNI) cannot be charged to federal funds or federal flow thru funds, resulting in a separate RPNI rate. This was previously charged as a benefit rate additive.

Central Benefits Pool Participation

Up until 2015, the campus policy and formula defining benefit pool participation (i.e., centrally funded benefits coverage) was updated on an annual basis (https://planning.ucsc.edu/budget/pdfs-images/current-benefit-policy.pdf). Updates were not done in recent years pending UCPath implementation. At this time, I am writing to highlight upcoming changes to the benefit pool policy and formula.

Benefits costs to units are covered from the central benefit pool for permanently budgeted staff (a.k.a. sub 1) positions for the following funds: 19900, 19917, 19924, 19942, 20000, 20095, 66043, 66051, 69750, and 69900. In order to establish a new qualifying permanent position or increase an existing permanent FTE, permanent budget must be contributed ("buy-in") to the benefit pool.

The new buy-in formula will be solely based on the sum of the benefits assessment rates for "Staff" (currently 61.17%, based on the sum of Staff CBR of 50.9%, VLA, 8%, GAEL, 1.5%, and RNPI, 0.77%) multiplied by the budgeted annual gross pay. Because the new rate includes the VLA/vacation leave accrual assessment, central funds will no longer recover terminal vacation costs from the units for permanently budgeted FTE.

For positions or FTE increases transacted on or before March 31st of a given fiscal year the then-current benefits assessment rates will be used in the calculation. This timing coincides with the ability to enter incremental budget transactions within FMW, the campus budget system. Beginning

April 1st of a given fiscal year, the next-year's benefits assessment rates will be used in the calculation. This change will be reflected in the automated calculations performed in FMW.
This updated policy and formula will go into effect on November 15, 2019. In the meantime, buy-in for new permanent positions and FTE increases will continue to be made at the 2015 level. Should you elect to create new positions in FMW on or before November 14th, remember to engage Staff Human Resources in updating filled position FTE well in advance of the November 25th cutoff date for PPS entries.

As always, in addition to the permanent benefit contribution a pro-rated current year (one-time) amount would also need to be provided. Further, permanent FTE may not be created or increased if it will result in a permanent budget deficit or an increase to an existing permanent budget deficit.

Benefit costs to units for employees in academic job titles and student job titles, paid from the specific fund codes listed above, will continue to be covered from the benefit pool without buy-in.

Please distribute this information broadly within your organization to relevant department chairs, directors, fund managers, etc.

Sincerely,

Lori G. Kletzer
Interim Campus Provost and Executive Vice Chancellor

cc: Assistant Deans
Assistant Vice Chancellors
Associate Vice Chancellors
Directors
John Bono, Associate Librarian
Kimberly Register, Budget Director, Planning and Budget
Bruce Schumm, Chair, Committee on Planning and Budget
Steve Stein, Associate Vice Chancellor, Staff Human Resources

bc: L. Esthela Bañuelos, Academic Senate Analyst
Monika Jung, Executive Assistant, University Library
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Vice Chancellors Assistants
Vice Provosts Assistants