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April 28, 2021

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

Dear Colleagues:

This letter serves to revise information previously communicated in a memo on the same subject dated October 17, 2019. Following the implementation of UCPath, it has become evident that some campus business process and policy changes necessary to adapt to UCPath will not work as were anticipated prior to go-live. For this reason, it is necessary to revise the policy surrounding benefit pool participation.

Much of the information provided below is unchanged from the October 2019 memo. Changes from the original memo that have some impacts are underlined. Please direct any questions you have about composite benefit rates or these changes to ask-cbr-group@ucsc.edu.

On January 1, 2020 UC Santa Cruz implemented UCPath, the system-wide payroll, academic personnel, and human resources system. UCPath participation mandates the 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 eligible 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/rates-and-assessments/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 previous 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 eligible earnings, are approved in negotiation with the relevant federal agency, and they will be periodically cost-adjusted at a frequency not expected to exceed once per year. CBR employee groups are defined not only by employee class, but also by an individual employee's benefits eligibility as well as earnings type in the case of faculty summer salary. The campus has six CBR 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 academic year 2020-2021(FY21) are available at this address (https://planning.ucsc.edu/budget/rates-and-assessments/cbr-rate-tables.html). The mitigation program for external grants and contracts has ended.

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

Vacation Leave Accrual (VLA) was previously charged to the employer as employees earn vacation days at the individual's salary/wage. This arrangement has been replaced by a Composite Rate assessment, currently at 8% for accruing staff and fiscal year academics. 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 1.7%) is assessed on the salaries of all university employees based upon funding source. GAEL rates are reviewed and adjusted annually. Prior to UCPath, this was 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 to the GAEL assessment.

The UCRP Supplemental Assessment Interest is charged as a composite rate, currently 0.30%. 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**

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 is solely based on the sum of the benefits assessment rates for "Staff" (currently 53.3%, based on the sum of Staff CBR of 51.3%, GAEL, 1.7%, and RNPI, 0.30%) multiplied by the budgeted annual gross pay. As the buy-in rate does not include the VLA (vacation leave accrual) assessment, the VLA expense is covered by the central benefits pool and the offsetting credit generated from vacation paid is returned to the central benefits pool. Terminal vacation costs are no longer recovered from units.

Office of the President is responsible for calculating the campus' CBRs and coordinating approval of rates with the cognizant Federal agency. The current posted benefits assessment rates will be used in the calculation for buy-in (https://planning.ucsc.edu/budget/rates-and-assessments/cbr-rate-tables.html). Beginning no sooner than April 1st of a given fiscal year, if the next-year's benefits assessment rates are published on the website, the new rates will be used in the buy-in calculation. This change will be reflected in the automated calculations performed in FMW.

From time to time, it may be necessary for a unit to completely eliminate a permanent position. In such cases the unit may be eligible for a permanent benefits rebate. Upon the deletion of a permanently budgeted staff FTE position created on or after November 15, 2019, the benefit contribution rebate will be equal to one-half of the currently applicable buy-in amount for the position being eliminated. For positions created on or prior to November 14, 2019, the original benefit contribution provided by the unit may be returned instead. In the latter situation, the burden of documenting/proving the original contribution lies with the unit.

This updated policy and formula will go into effect immediately.

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. This updated language will be published on the Budget Analysis and Planning website https://planning.ucsc.edu/budget/rates-and-assessments/benefit_pool_funding_participation.html for future reference.

Sincerely,

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