Composite Benefit Rates (CBR) & Vacation Accrual Implementation
Background

• UC’s Current Payroll System:
  - Employee salaries charged to fund(s) on % of effort
  - Employee benefits charged to same fund(s) based on detailed rates (results in hundreds of rates)
  - Vacation accruals charged to same fund(s) utilizing complex formula until maximum accrual reached

• UC Path:
  - Employee salaries - No change
  - Employee benefits charged based on a CBR determined by a limited number of employee groups (Salary x Rate)
  - Vacation accruals charged based on simplified formula with no maximum
Background (cont.)

• May 2014 – Chancellors approved system-wide CBR model
  - Equity between campuses
  - 10 Employee Groups w/ option to create 4 campus specific groups or combine Employee Groups

• October 2015 – NIH Appeals Board Ruling upheld Cost Allocation Services decision not to allow salary cap for CBRs at UC
What is CBR?

- Pool employer-paid benefits instead of having many charges for individual benefits (taxes, retirement & health)
- Consistent method of charging benefit costs to all activities
- Rates based on Employee Groups
- Charged as a % to all components of pay except for certain bonuses, incentives & Z payments
- Overall cost of benefits won’t change for UCLA – continue to pay actual costs
- No change to employee-paid portion of benefits
What’s included in CBR?

- Medical & Dental Insurance
- Medicare & SDI taxes
- Post-Employment Health Benefits
- Pension & Other Retirement Contributions
- Worker’s Compensation Insurance

- What’s not – Accrued vacation leave, Tuition remission, Grad Student Health, Sabbatical costs, GAEL
Other Research Universities

- Most large research universities utilize CBR for charging benefits to funds
  - Harvard – 10 rates
  - Caltech – 1 rate
  - USC – 3 rates
  - University of Wisconsin – 8 rates
  - University of Illinois – 6 rates
  - The Ohio State University – 7 rates
Vacation Accrual

- Goal – cover actual cost of vacation taken
- Current process undercharges
- Future changes
  - Simplify calculation
  - Three rates
    - Full Year Faculty
    - Accruing Staff & Non-Faculty Academics
    - Non-Accruing Staff & Academic Year Faculty
  - Charge continues despite individual’s vacation balance
CBR and Vacation Accrual Timing

- Communicating to Campus – September/October 2016 in time for grant proposals for FY18
- CBR Proposal to Federal Government - Jan. 1, 2017
- CBR Federal Negotiations complete by July 2017
- UC Path Go-Live August 2017
  - First paycheck September 1\textsuperscript{st} (August payroll)
UCLA Implementation Strategy

Guiding Principles in mind…
- Minimize Variations between Fund Groups
- Simplicity
- Consistency

UCLA looked for a solution that would…
- Be Supportable by UC Path
- Be More Manageable
- Mitigate Potential Issues
## UCLA Employee Groups

<table>
<thead>
<tr>
<th>Group #</th>
<th>Employee Group</th>
<th>Preliminary CBR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Faculty Summer</td>
<td>5.0%</td>
</tr>
<tr>
<td>2</td>
<td>HCOMP Senior Faculty</td>
<td>24.0%</td>
</tr>
<tr>
<td>3</td>
<td>Faculty</td>
<td>30.9%</td>
</tr>
<tr>
<td>4</td>
<td>Other Academics</td>
<td>39.9%</td>
</tr>
<tr>
<td>5</td>
<td>Post Docs</td>
<td>30.9%</td>
</tr>
<tr>
<td>6</td>
<td>Staff Exempt</td>
<td>39.9%</td>
</tr>
<tr>
<td>7</td>
<td>Staff Non-Exempt</td>
<td>48.2%</td>
</tr>
<tr>
<td>8</td>
<td>Food-Custodian-Grounds</td>
<td>63.9%</td>
</tr>
<tr>
<td>9</td>
<td>Employees &amp; Students with Limited Benefits</td>
<td>5.0%</td>
</tr>
</tbody>
</table>
Mitigation Plan – General Funds

- Overall effect - reduction in benefit expense by $4.3M
- Expense swings (both positive & negative) between organizations and departments
- FY18 budget discussions will include
  - Organization & department changes due to CBR/Vacation Leave changes
  - Mitigation strategies for the organization
Mitigation Plan - Sponsored Awards

- Overall effect - increase in benefit expense by $2.8M

- Sponsored Award Mitigation Plan to offset impacts to existing awards
  - Mitigation for methodology change
  - Impact >5% and $10,000 of awarded direct costs
  - Available for FY2018 and FY2019
  - Committee to Review/Approve Mitigation
  - Awards approved for mitigation will transfer costs to mitigation plan funds
  - Industry Clinical Trials are exempt
Payroll Expense Report (Today)

<table>
<thead>
<tr>
<th>Column</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare Amount</td>
<td>217.40</td>
</tr>
<tr>
<td>Health Insurance Amount</td>
<td>434.00</td>
</tr>
<tr>
<td>Unemployment Amount</td>
<td>43.04</td>
</tr>
<tr>
<td>UCIDE Amount</td>
<td>6.71</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>37.04</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>29.53</td>
</tr>
<tr>
<td>Dental Insurance Amount</td>
<td>37.04</td>
</tr>
<tr>
<td>Vision Insurance Amount</td>
<td>89.25</td>
</tr>
<tr>
<td>EMP Support</td>
<td>12.75</td>
</tr>
<tr>
<td>Core Medical Insurance</td>
<td>12.75</td>
</tr>
<tr>
<td>Core Life Policy</td>
<td>12.75</td>
</tr>
</tbody>
</table>

30+ Categories
### Distribution of Payroll Expenses Report (UCPath)

**Report Parameters:**
- **Time Period:** December 2015
- **Account Location Code:** M - UCOP UC PRESIDENT'S OFFICE
- **Business Unit:** UCOP
- **Department:** xxxx-STUDENT SERVICES

#### Distribution of Payroll Expenses (DOPE)

<table>
<thead>
<tr>
<th>Employee ID</th>
<th>Employee UCLA UID</th>
<th>Employee Name</th>
<th>Gross Salary</th>
<th>CBR</th>
<th>Leave Assessment</th>
<th>GAEL (EL)</th>
<th>GAEL (GL)</th>
<th>Other</th>
<th>Fringe Costs (Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10000456</td>
<td>203863044</td>
<td>xxxxxx,xxxxx</td>
<td>(405.59)</td>
<td>3.105.20</td>
<td>705.73</td>
<td>28.23</td>
<td>28.23</td>
<td>0.00</td>
<td>3,867.39</td>
</tr>
<tr>
<td>203863061 - Summary</td>
<td>8,821.59</td>
<td></td>
<td>8,821.59</td>
<td>3.105.20</td>
<td>705.73</td>
<td>28.23</td>
<td>28.23</td>
<td>0.00</td>
<td>3,867.39</td>
</tr>
<tr>
<td>10000579</td>
<td>303186545</td>
<td>YYYY-YYYY</td>
<td>9,026.32</td>
<td>3.177.26</td>
<td>722.11</td>
<td>28.88</td>
<td>28.88</td>
<td>0.00</td>
<td>3,957.13</td>
</tr>
<tr>
<td>303186579 - Summary</td>
<td>9,026.32</td>
<td></td>
<td>9,026.32</td>
<td>3.177.26</td>
<td>722.11</td>
<td>28.88</td>
<td>28.88</td>
<td>0.00</td>
<td>3,957.13</td>
</tr>
<tr>
<td>10000642</td>
<td>304241046</td>
<td>mmmm,mmm</td>
<td>(335.42)</td>
<td>2.449.88</td>
<td>556.79</td>
<td>22.27</td>
<td>22.27</td>
<td>0.00</td>
<td>3,051.21</td>
</tr>
<tr>
<td>304241042 - Summary</td>
<td>7,295.31</td>
<td></td>
<td>7,295.31</td>
<td>2.449.88</td>
<td>556.79</td>
<td>22.27</td>
<td>22.27</td>
<td>0.00</td>
<td>3,051.21</td>
</tr>
<tr>
<td>10000773</td>
<td>403863274</td>
<td>99999999.9999</td>
<td>8,449.51</td>
<td>2.974.23</td>
<td>675.96</td>
<td>27.04</td>
<td>27.04</td>
<td>0.00</td>
<td>3,704.27</td>
</tr>
<tr>
<td>403863258 - Summary</td>
<td>8,449.51</td>
<td></td>
<td>8,449.51</td>
<td>2.974.23</td>
<td>675.96</td>
<td>27.04</td>
<td>27.04</td>
<td>0.00</td>
<td>3,704.27</td>
</tr>
<tr>
<td>10000648</td>
<td>40497151</td>
<td>mmm,mrr</td>
<td>4.06</td>
<td>16.22</td>
<td>2,596.00</td>
<td>8.38</td>
<td>8.38</td>
<td>0.00</td>
<td>1,145.36</td>
</tr>
</tbody>
</table>

---

**CBR** and **Leave** are highlighted for emphasis.
Communication Plan

- Deans’ Council
- Academic Senate Leadership
- CAO/CFO Meeting
- Research Administrator Forum
- Research, Budget & CFS Web Sites
GAEL Assessment Change - FY17

• General Automobile and Employment Practices Liability (GAEL) Insurance Assessment

• UCLA GAEL Assessment Change Effective FY17:
  - GAEL charges will continue to be redirected to departmental unrestricted funds for Federal & Federal pass through sponsored funds
  - GAEL charges will be assessed to State and Local sponsored funds and will no longer be redirected

• Impact to State and Local Sponsored Funds
  - Existing Awards
  - Include GAEL in Proposal Budgets