FIS users,

The communication is intended for anyone who budgets and/or works with employee benefits. It provides an overview of Composite Benefit Rates, which go into effect July 1, along with links to detailed information that will assist in your budget planning.

WHAT'S HAPPENING?

UC Davis is adopting Composite Benefit Rates for posting employee benefit costs, and the practice of using actual employee benefit costs per individual employee is being discontinued. A Composite Benefit Rate is an average of all eligible benefits (except tuition and fee remission, leave accrual and General and Employment Liability-GAEL) applicable to an employee based on which employee rate group they fall into. The calculation for Composite Benefit Rates is: applicable composite rate multiplied by gross salary.

This change in the way that benefit rates are calculated does not affect individual employees’ personal deductions (reflected on earning statements) in any way. It only impacts what is being charged to your department as a whole for employee benefits.

WHO DOES THIS APPLY TO (AND NOT APPLY TO)?

All UC Davis Charts 3, S and L will post using Composite Benefit Rates.

The UC Davis Medical Center (Chart H) accounts will not be included and will continue to post actual employee benefit costs.

WHEN?

The change will be effective July 1, 2011, at which time it will no longer be possible to mix actual costs and composite benefit rates.

WHY?

The change to composite benefit rates is concurrent with the implementation of the Labor Distribution module in the Kuali Financial System. This module provides new functionality that has not been available in DaFIS, and it is necessary to simplify benefit rate calculations in order to take advantage of the features and benefits that the labor distribution function provides. Learn more about the Labor Distribution module in the new financial system.

Composite Benefit Rates have several advantages over the current practice of using actual rates:

- They simplify the accounting for fringe benefit expenses.
- They improve the budgeting process for all University funds and standardize benefit costs across employee groups.
- They provide consistent accumulation and allocation of fringe benefits expenses to all functional activities.
KEY POINTS ABOUT COMPOSITE BENEFIT RATES

- Composite Benefit Rates include Workers’ Compensation, but do not include leave accrual or GAEL. The Leave Assessment process is changing with the implementation of the Kuali Financial System Labor Distribution module scheduled to go live in July 2011. (See FAQ, Question 17.)

- Composite Benefit Rates are applied solely based on the salary amount and rate group of the employee regardless of when the employee is appointed (academic year or summer), whether they work full- or part-time, or whether their appointment is in multiple departments.

- The Composite Benefit Rates reflect increases in health benefit costs, which rose steeply in 2010, and the restart of employee retirement contributions. The rates are not higher because of the change to composite rate calculation.

- Departments will not be responsible for any differences between the composite benefit rate as compared to the actual costs. At year end, Accounting & Financial Services will reconcile actual benefit costs incurred by the University with the amount charged using the composite benefit rates. Any over- or under-recovery will be adjusted in future year rates, similar to a recharge activity.

Please refer to the Composite Benefit Rates FAQs for additional detailed information about Composite Benefit Rates.

UPDATES

- Based on earlier feedback, the campus is implementing a few changes to the Composite Benefit process that will make the process more equitable to the campus and easier to administer:
  
  o The first change is to add a cap to the salaries that will be charged the Composite Benefit Rates. This means that the fringe benefit rates will only be assessed against the gross pay up to the cap level. The identified cap for Group A – Healthcomp Faculty over $200K is set at $300,000. All other employee groups will have a cap set at $180,000.

  o The second change is that all FX employees (Research Allied Professionals) will be included in Employee Rate Group C (Academic Senate, MSP, Other Academic, Research Allied Professionals, Fire & Police) instead of being split into two separate groups.

RESOURCES

The Composite Benefit Rate website includes information and resources for implementing Composite Benefit Rates. The following may be of particular interest:

- Rate Tables:
  o Rate Summary (Excel Download) This file includes a summary of all rates as well as a cross reference by title code.
Our objective implementing Composite Benefit Rates is to support your work by streamlining and simplifying administrative processes. The adoption of composite benefit rates is just one of many measures that will change -- for the better -- the way we do business. Your continued engagement with these changes, as well as your patience and flexibility, are much appreciated. We will endeavor to keep you well informed via direct communications, and we invite you to visit our website at your convenience for full details on all our projects as they develop.

FIS Help Desk
Accounting & Financial Services
UC Davis