

October 29, 2018

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CHAIR, ACADEMIC SENATE
EXECUTIVE DIRECTOR, APPLIED INNOVATION
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RE: Composite Benefit Rates

Coincident with UCI going live with UC Path (currently scheduled for March 2019), we will transition to distributing UC-paid employee benefits costs using a Composite Benefit Rate (CBR) structure. Many universities already utilize a CBR methodology for charging benefits, since it provides a simpler, more predictable means to manage employee fringe benefit costs.

Other benefits of Composite Benefit Rates include:

- Improved budgeting and projecting of employee benefit costs as actual benefit costs will now be known ahead of time
- Reduction in benefits transactions in the General Ledger and financial reports
- Eliminates variability in benefit costs when an employee has a life change
- Annual benefit rates will be published in advance

Based on consultation over the past several months and an analysis of actual data, there will be 10 employee groups for the campus (see Attachment I), pending federal approval. Separate rates apply to the Medical Center. 2018-19 rates will go into effect upon UCI's implementation of UC Path. Please forward this information to faculty and staff involved with contract and grant proposal development to begin using the rates immediately.

While overall campus benefits costs will not change under CBR, there will be differential impacts across campus; for some units costs will decrease, for other units costs will increase. The campus will implement mitigation strategies to address the impacts of the transition to CBR:

- **Core Funds:** In order to minimize the impact of CBR on an organization and make the transition as close to budget-neutral as possible, the campus will permanently withdraw savings from units with lower costs and reallocate funds to units with higher costs. This will be done at a high level – Schools and Divisions will need to manage departmental impacts internally. The reallocation will be done one-time after the UC Path implementation. Units will need to build in the new CBR cost structure into their planning and budgeting going forward.



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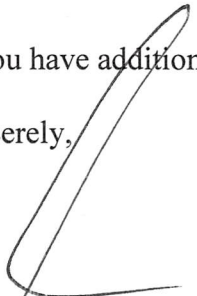
- **Contracts & Grants:** Please incorporate the applicable Composite Benefits Rates in newly submitted proposals to Sponsored Projects Administration (SPA) as shown in Attachment I. Doing so will minimize changes in benefits costs due to CBR, so that new contracts and grants will not require mitigation. For proposals submitted prior to November 15, 2018, the campus will provide temporary funding to mitigate cost increases due to CBR directly to individual grants when specific criteria are met (for a limited duration). A committee is being formed to develop the specific criteria to be used. Planning rates for multi-year proposals will be provided separately.
- **Other funds:** All other funding sources will need to manage CBR impacts internally, due to the varied uses, restrictions, and purposes of each fund. Areas with particularly large savings or cost increases will be identified for possible unit-specific mitigation.

As more specific mitigation plans are developed, there will be further communication on the details.

Please refer to UC Path Composite Benefit Rate section on Planning & Budget's website: http://www.budgetoffice.uci.edu/composite_benefit_rates.php for additional information and answers to frequently asked questions (FAQ). Note that the CBR page will be updated periodically as more information is available.

If you have additional questions, please contact Nancy Im in the Budget office.

Sincerely,



Enrique J. Lavernia, Ph.D.
Provost and Executive Vice Chancellor
Distinguished Professor,
Chemical Engineering and Materials Science

Attachments:

- I: Campus CBR Groups/Rates
- II: Benefit Costs Included/Excluded from CBR
- III: Employee Group Determination Guide
- IV: ERN Codes Excluded from CBR

C: Chancellor Gillman
Associate Chancellor and Chief of Staff Arias
Associate Provost and Executive Vice Chancellor Lefkoff
CFO and Vice Chancellor Cortez
Assistant/Associate Deans
Assistant/Associate Vice Chancellors
Interim Director Smith, Intercollegiate Athletics
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