

UC Irvine

Composite Benefit Rate Implementation Transition Mitigation Plan

November 12, 2019

Effective December 2019, UC Irvine will transition to composite benefit rates (CBR) with the implementation of UCPATH. This change will impact the cost of benefits for all employees, but will also make costs consistent and predictable for the budgeting and expensing of employee fringe benefit costs. Understanding that this change will impact contract and grant funds that budgeted using a prior methodology, this mitigation plan is to help smooth the transition for those that are negatively impacted. The mitigation program is intended to provide short-term, supplemental funding to help defray the difference between the composite benefit rate charges, as compared with and the budgeted benefits costs in the approved award budget, and the ability to absorb changes without significantly impacting other direct cost categories. Parameters for the program are listed below.

Program Parameters. To be considered for mitigation funding, a request must meet **ALL** of the following criteria:

1. The impacted fund must be a **sponsored agreement** (Industry Clinical Trials are exempt),
2. The sponsored agreement must involve a proposal that was submitted prior to November 1, 2018 (when CBR rates were first communicated to the campus for use in all new proposal budgets),
3. The sponsored agreement must still be active or within 90 days of the end date at the time of the mitigation request,
4. The CBR must materially impact a sponsored agreement by at least **5% of the project's annual expenditures**, or the total mitigation must exceed **\$5,000**.

Impact Calculation. To calculate the impact of the composite benefit rates:

1. The Budget Office will compare each sponsored agreement's historical fringe benefit costs (based on person's historical fringe costs) to the new costs assessed through CBR including vacation accruals; or for new awards, expenses will be compared to the proposal budget.
2. The average monthly difference will provide the basis for the annual impact calculation.
3. All fringe benefit costs charged to the sponsored agreement will be evaluated, not just some costs.
4. Excluded from the evaluation will be all employee fringe costs exempted from the composite fringe benefit rates: graduate student remission programs, GAEL, and UCRP interest assessment.

Request Review. All requests will be reviewed according to the parameters listed above, then:

1. Requests that fall within the program parameters described above will be reviewed by the Budget Office, and a funding recommendation made to the Chief Financial Officer/VCPB and Provost.
2. Requests that fall outside of the program parameters will be returned with an explanatory note.

3. Requests should be submitted no later than 90 days prior to the end date of the contract or grant.

Mitigation Funding. To be provided as supplemental funding for increased fringe benefit costs.

1. Mitigation funds will be in the form of additional resources to pay for the documented increase in fringe benefit costs. The actual fringe assessment will not be adjusted.
2. Mitigation funds will be transferred to a departmental account and will cover documented increases in fringe costs for prior periods.

How to Submit a Request. Complete the Composite Benefit Rates Impact Calculation Sheet and submit along with a copy of the approved award budget. All requests should be emailed to Nancy Im in the Budget Office at nancyim@uci.edu.

All requests will be reviewed by the Budget Office and SPA/C&G Accounting for conformity to the program. If the request complies with the program parameters and is approved, a confirming email transmitted to the PI and the appropriate research administrator, and a fund transfer will be initiated for the mitigation amount. Requests that do not conform to the program guidelines will be returned without funding and an email will be sent to the PI and the research administrator with a description of the reason(s) for return.

Foreign-based employees. Research conducted in foreign countries represents a unique set of challenges with regard to CBR. There are UCI employees who are stationed in foreign countries who do not partake of US-based benefits to varying degrees. Alternatively, there may be grants for research in terms of visiting field stations or labs abroad, but these short-term visits do not impact US-based benefits. This mitigation provision specifically refers to UCI employees who reside and work in foreign countries where different benefits situations apply, and does not include short-term research visits.

Since research which is conducted in foreign countries may be negatively impacted by the CBR and the additional cost may reduce the competitiveness of our research efforts, these contracts and grants for foreign-based research will be entitled to CBR mitigation indefinitely. In order to receive continued mitigation funding, the PI should be submit a new request form each year.

For clarity - Mitigation for the foreign-based employees CBR calculations are as follows:

Old Method (example)

Salaries and Wages	100,000	
Benefits	24,000	(24%)
<u>Health Ins. Stipend</u>	<u>6,000</u>	<u>(6%)</u>
Total	130,000	(30%)

New Method (example)

Salaries and Wages	100,000	
Benefits	36,000	(36%) CBR driven
<u>Health Ins. Stipend</u>	<u>0</u>	<u>(0%)</u> Paid from UCOP Pool
Total	136,000	

Mitigation 6,000