Dear Colleagues,

As you know, UCR is moving its payroll/personnel processing to UCPath currently planned for December 2017. Consistent with the UCPath goals of standardizing processes and increasing efficiency, UCR must establish fringe benefit rates that are based on a percentage of an employee’s salary according to Employee Groups that do not vary by individual employee benefit selections. These rates are commonly referred to as Composite Benefit Rates (CBRs). Currently, fringe benefit costs are charged to payroll sources based on individual employee eligibility and individual benefit plan selections, resulting in highly variable benefit costs which make it difficult to manage and project benefit expenses. Note that nationally, many colleges and universities currently use CBRs (Stanford, MIT, Princeton, UC Berkeley, UC Davis) or are in the process of converting to them.

The use of Composite Benefit Rates provides many benefits:

- **Improved budgeting of employee fringe benefit costs**: As the actual benefit rate for an employee will now be known and no longer subject to individual employee selections.
- **Align hiring incentives**: While there is no evidence of discrimination against employees with families, moving to CBRs will substantially lessen this concern, given that departmental costs of employee benefits will now be based on a fixed percentage of salary within an Employee Group.
- **Elimination of unnecessary work**: CBRs will reduce the number of benefit related expense accounts resulting in less “clutter” in the General Ledger thus eliminating unnecessary work through the simplification of costs transfers and ledger reconciliation.
- **Increased transparency**: Benefit rates will be displayed in SuperDOPE.
- **Simplification of the Vacation Accrual Process**: Three rates will be used in UCPath versus multiple rates based on vacation hours earned, and the rates will be consistently applied.

The Chancellors, as a group, approved a system-wide model for implementation of Composite Benefit Rates (CBRs) in May of 2014. That model contains 10 Employee Groups and an option to create up to 4 campus specific groups. As part of the move to CBRs, each campus must develop campus specific rates.

Based on consultation that occurred over several years, we have chosen to create one additional campus specific rate. Over the last several months, the Office of the Financial Planning and Analysis has been working with Huron Consulting Group (which has developed and implemented dozens of fringe benefit rates across the nation) to help develop CBRs for UCR pursuant to the system-wide model and the decision to add the one campus specific rate for Food Service, Custodian, and Grounds employees. That work has been completed and the outcomes of that effort, both rates and Employee Groups, are reflected in Attachment I. It is important to note that certain costs will be assessed outside of the CBRs...
such as Accrued Vacation Leave, Tuition Remissions, Graduate Student Health Insurance (GSHIP), and General, Automobile, Employment Liability (GAEL) insurance.

While the overall cost of employer paid fringe benefits to UCR will not change under CBRs, there will be differential impacts across campus; for some FAUs costs will decrease, for other FAUs it will increase.

To address this, the campus has developed the following mitigation strategies:

1. **Core Funds**

   Following the principle that implementation of CBRs should not positively or negatively affect an Organization, the campus will pull benefit savings centrally from Organizations that have realized a lower cost of benefits under CBRs. These funds will be reallocated to Organizations who have realized an overall increase in cost. Organizations will be responsible for making necessary adjustments to departmental budgets.

2. **Extramural Funded Contract and Grants**

   Acknowledging that changing the way that benefit costs are calculated may pose a serious issue for existing grants that were awarded before composite rates were developed, the campus will provide supplemental funding to mitigate the negative impact of CBRs on sponsored programs. Central funding will be provided when the CBR impact is greater than $5,000 or 5% of the project budget. Minor fluctuations between cost estimates at the proposal stage and the actual direct charges are normal occurrences and should be absorbed by the project.

   Mitigation funding will be provided only for awards approved or proposals formally submitted prior to the announcement of the CBRs rate on December 12, 2017. It is expected that CBRs will be built into any new proposal or renewals of existing awards effective immediately. Specific details on the guidelines and process for this mitigation strategy will be provided in a separate e-mail that will be sent to campus faculty and will be available on the Sponsored Programs Administration website.

3. **All Other Funds**

   All other funding sources will need to adjust budgets to accommodate the impact of moving to CBRs.

Please send mail to CBRINFO@ucr.edu should you have any questions.

Regards,
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