Composite Benefits Rate FAQs

Business & Financial Services | Costing & Policy
University of California, Merced

CBR Frequently Asked Questions

Beginning December 2017, UC Merced moved into charging employee benefits to a composite benefits rate (CBR) structure. This move to composite benefit rates is a positive step forward in strengthening UC Merced's financial management by providing a predictable means to expense and project employee fringe benefit costs.

Below, please find some of the commonly asked questions about the CBR structure.

Composite Benefit Rate Basics

Q1: **Must we use the new composite rates or can we use actual rates if we have them?**
A: Beginning December 2017, composite benefit rates must be used.

Q2: **How will benefits be charged to my FAU with the composite rates?**
A: The composite benefit rates represent the percentage of benefits that will be applied to the employee salary (**Salary x CBR %**). This amount will be charged to the account for fringe benefit costs regardless of the actual costs to the University.

Q3: **How are the composite rates calculated?**
A: Following federal regulations and the approved, systemwide CBR model, the rates are calculated by allocating a pool of composite benefit costs on the basis of institution-wide salaries and wages of the employees receiving the benefits. The pool of fringe benefits for a group of employees is divided by the total salaries of that group. The resulting rate is known as the CBR, and is applied against the total institutional base salary of the individuals.

Q4: **What fringe benefit components are included in the composite rates?**
A: Benefits Administration, Dental, Disability, Employee Support Programs, FICA Tax, Incentive Award Programs, Life Insurance, Medical, Retiree Health, Retirement Benefits, Senior Management Supplement, Unemployment Insurance, Vision Benefits, Worker's Compensation

Q5: **Are there certain benefits costs that are not included as part of the composite rates?**
A: Benefit costs for graduate student tuition remissions and fees, vacation accruals, and incentive payments made to employees have been excluded from the CBR calculations and these costs

will continue to be recovered by direct charging the funding sources.

Q6: **How frequently are the composite rates reviewed and updated?**

A: In collaboration with UCOP, actual benefits costs incurred by the University will be reconciled with the amount charged using the composite benefit rates on an annual basis. Any over- or under-recovery will be adjusted in future year rates, similar to that of recharge activity. This may result in CBRs updating each fiscal-year.

Q7: **Will the composite rates affect an employee's cost of/eligibility for benefits?**

A: No. The employee's cost and eligibility for benefits will not be affected when UC Merced transitions to this new structure (unless a change is made during open enrollment or there is a change your appointment that affects your benefits eligibility). This new structure only changes how fringe benefits are charged within the University.

Composite Benefit Rate Identification & Budgeting

Q8: **How are the composite rates identified and how do I know which one to use?**

A: To identify the appropriate CBR, the following employee information is required: (1) title-code, (2) the benefits eligibility level indicator (BELI), (3) the fair labor standards act (FLSA) designation, and (4) the description of service (DOS) code. Once this benefits profile information is identified, the resources provided on the Composite Benefit Rate website can assist in determining which employee group will be applied.

Q9: **The composite rates seem high. Why is this?**

A: The historical FY17-18 rates were based on FY2015-16 actual benefit expenses. The increases in the FY2017-18 rate are the result of increases in retirement benefits and retiree health benefits. Changes in the rates for subsequent years are not related to the adoption of composite rates, but a reflection of increased actual costs.

Q10: **The composite rates seem low. For example, if an employee who had an actual benefits rate of 65% is now being assessed a rate of 45.5%, there is a shortage in what would be charged for benefits using the composite method versus benefits being charged on an actual basis. How is this handled?**

A: One of the advantages of moving to a composite benefit rates is that a department will no longer need to account or budget for benefit rates that are unique to each employee. This should make budgeting easier to manage because one would only need to manage the costs that will be charged through the fringe benefit rates. Any concerns with the wide variation of benefits for employees doing the same job is essentially eliminated.

As mentioned in the response for Question #6, all actual costs to the University will still be accounted for, but departments will not see them in their ledgers. Departments will not be responsible for any shortages resulting from the composite benefit rates. The composite assessments and actual costs will be reconciled on an annual basis, and any over- or under-recovery will be adjusted in future year rates.

Q11: **What if an employee is eligible for full-benefits, but is not appointed at 100% time?**

A: The benefits cost for an employee is the applicable rate multiplied by gross salary. If the appointment percentage is lower, the salary is lower, and the benefits cost will be lower, even if the employee receives full-benefits. This is considerably simpler to calculate and also reduces benefit expenses for part-time employees as compared to the old method of calculating benefit costs.

Q12: **If I am charged a composite rate that is different from my actual costs, who will be responsible for the difference?**

A: Departments will not be responsible for any shortages from the composite assessment to the actual costs of your employees. The composite rates applied to gross salaries replace the actual benefit costs to your ledgers. The actual costs to the University will still be accumulated, but they will no longer appear in the ledger.

In collaboration with UCOP, actual benefit costs incurred by the University will be reconciled with the amount charged using the composite benefit rates on an annual basis. Any over- or under-recovery will be adjusted in future year rates, similar to that of recharge activity.

This averaging concept for fringe benefits is permitted per OMB Circular A-81 (Uniform Guidance), which allows fringe benefits to be charged by allocating a pool of fringe benefit costs on the basis of institution-wide salaries and wages of the employee receiving the benefits.

Q13: **How do I project composite benefits costs beyond the provided schedules?**

A: It is difficult to project composite benefit rates and in the interest of caution, the preliminary rates that are published should be used for projection for the outlying years. Please note that the preliminary CBRs provided on the Composite Benefits Rate website/accompanying materials are subject to change, since they are pending Federal Governmental approval.

Sponsored Projects Questions

Q14: **How will the new rate structure affect existing contracts and grants?**

A: We understand that many researchers have multi-year awards and proposals which were approved with different fringe benefit rates than the composite rates. The campus has developed a Mitigation Program to cover substantial shortfalls created by the transition to composite rates to alleviate the impact to contracts & grants.

Q15: **What happens when grants are submitted through one School/ORU, but employees' appointments are not in that School/ORU?**

A: There is no difference in the composite benefit rates for employees regardless of which department they work in. Composite fringe benefit rates are applied based on the benefits profile (discussed in Question #8), regardless of where the employee is appointed.

Q16: **How do we account for projects that cross fiscal-years and the rates change?**

A: After the December 2017 start-date, the fringe benefit rate that will be charged to your accounts will be adjusted each fiscal year, based on the approved CBR rate for that particular fiscal year.

If you are budgeting for a project that crosses fiscal-years, then you will need to adjust the fringe benefit rates for the employees accordingly.