

Gina Anderson

Subject: FW: Composite Benefits Final Document from Peter Taylor
Attachments: MEMO-CBR DRAFT Final Recommendations updated 04_29_13.docx; March Rates for Chancellors.pdf; March Rates Senate.pdf

From: William Jacob <William.Jacob@UCOP.EDU>
Reply-To: William Jacob <William.Jacob@UCOP.EDU>
Date: Sunday, May 5, 2013 5:00 PM
To: "UCACOUN-L@LISTSERV.UCOP.EDU" <UCACOUN-L@LISTSERV.UCOP.EDU>
Subject: Composite Benefits Final Document from Peter Taylor

Dear Colleagues,

We have obtained the Final Recommendations for Composite Benefits (Peggy forwarded to me the final draft of what was actually sent out). Apparently these basic ideas were communicated to Divisional Administrations several weeks back, but we just received the memo. Campuses are given two options: Option 1 is to use the seven rates on page 2 of the attached Final Recommendations Document and Option 2 allows campuses to use fewer groups by combining these groups as they see appropriate. If a campus chooses Option 2 they must negotiate with the DCA on their own and do their own calculations. Under both options, faculty summer salaries will be charged the same rate as academic year salaries, roughly about 21½ -3 times the actual cost (largely because summer salary is not covered compensation for UCRP.)

As we have explained earlier, two scenarios were explored in the process; one is to charge faculty summer salary a 0% rate and the other charge faculty summer salary the academic year rate. The difference between these two (keeping everything else the same—faculty summer salary is the ONLY change) is approximately \$24M (see General Fund Column in March Rates for Chancellors). In other words, the 32-34% academic rate applied to faculty summer salaries alone yields \$24M (\$16M from extramural grants, \$2.6M from endowments, \$4M in Fee/Appropriations \$1.4M in Auxiliaries). The actual costs for these charges is approximately \$8M, so the additional charges, beyond actual charges, to faculty summer salary fund sources is about \$16M. Although it is difficult to pick out of the tables, this \$16M is used to save expenses in other categories. The EVCs have been quite upset about a different issue, the Auxiliaries category, where overall they will have to pick up \$11.6M in additional charges that won't be recharged to Auxiliaries—these extra charges will be pulled out of other accounts. Neither of these concerns, the overcharge to faculty summer salaries or the undercharge to auxiliaries will be addressed by either option in the new proposal.

Regardless of your views on CBR I encourage you to remain involved in implementation at your campus. Because some groups will be substantially undercharged and others overcharged relative to actual benefit costs, plans will have to be developed to reallocate funds. You should try to stay on top of this to ensure that this is handled in a fair and equitable manner. In this connection we take issue with two statements in the memo from Peter in the second paragraph below the bullets on page 4:

- We checked in the fall and found that the peer organizations cited by Huron *do not* do what is proposed by UC: they either recharge grants actual charges or use a CBR based on benefits actually received – in particular funds collected from grants for retirement are paid into an account for the employee and not kept by the campus for other purposes.
- The stated \$18M cited as a “shift of shifts” is misleading—most of the \$18M cited in the document are funds beyond actual costs that will be collected from research contracts applied elsewhere to reduce expenses not related to research. The way it is presented makes it appear that without summer salary in the rates campuses would have to pick \$18M in extra expenses previously covered.

An idea has been floated that if UC is going to recharge summer salary from grants at the UCRP rate, then these recharges should be deposited into a defined contribution retirement plan for the employee rather than have the money revert to the general fund. We are going to refer this idea to UCFW for consideration.

Let me know if you have any questions.

Best wishes, Bill