

BUDGET ADMINISTRATION OF THE STATE EMPLOYEE BENEFITS PROGRAM

I. REFERENCES AND RELATED POLICIES

- A. UCSD Policies and Procedure Manual
- [380-1](#) Modification of the Operating Budget
 - [380-3](#) Budget Administration of Staff Salaries
 - [395-10](#) Employee Benefit Expenditures
 - [300-40](#) Guidelines for Recharge and Other Income Producing Activities
- B. Personnel Policies for Staff Members
- [30](#) Salary (Systemwide)
 - [30 HR-S-1](#) Salary (UCSD Implementing Procedures)
- C. [Administrative Responsibilities Handbook](#)

II. DEFINITIONS

- Budgeted Funds** Budgeted funds represent the basic core of financial resources required by the University to accomplish its assigned missions. These funds are considered to be perennial and permanently budgeted.
- Current Year Costs** Funding required to support the benefit costs for an employee through June 30 of the current fiscal year.
- Equity Increase** Base-building salary increase given to non-probationary employees outside of the annual merit cycle to remedy a salary inequity.
- Full Time Equivalent (FTE)** A full FTE represents full-time on pay status with an indefinite end date. Less than a full FTE is expressed as a percentage factor of the above, (i.e. an employee working half-time for six months and full-time for the remaining six months of a fiscal year equates to 0.75 FTE). An employee working 30 hours per week all year also equates to 0.75 FTE. Where FTE are funded from a combination of funds, this section deals only with the fractional FTE supported by those funds covered by this policy and defined under section III.
- IFOAPAL** Chart of Accounts codes: Index, Fund, Organization, Account, Program, Activity, Location
- Merit Increase** Annual base-building salary increase based on performance as it relates to current pay and assigned responsibilities, the employee's current position and relative performance within the salary range, and availability of funds.

Non-Budgeted Funds	Non-budgeted funds are generally temporary in nature and include 'Extramural' funds and funds provided on a one-time basis. These funds are not included in the permanent budget because the activity and funding source are not considered to have a continuing budgetary impact.
On-line Transfer of Funds (OLTF)	An electronic method of transferring budgeted funds between various accounting indices, organizations, and/or sub-accounts within the campus financial systems.
Parity	Special increases to faculty salary scales and/or select staff title codes based on State funding and bargaining agreements premised on maintaining equity with comparison institutions and/or labor market.
Permanent Year Costs	Refers to the funding required to support the benefit costs for an employee for a complete fiscal year, i.e. July 1 through June 30 of the ensuing years.
Promotion/Demotion	The movement of an employee from one established title code or salary grade to a higher (or lower) level.
Range Adjustment	Annual increases to salary scales and positions based on State funding and bargaining agreements.
Reclassification	An upgrading (or downgrading) of a position from one title code or salary grade to another in a related title series to reflect expanded (or diminished) duties and responsibilities.

III. PURPOSE/OBJECTIVE

This issuance sets policy and procedure for the establishment and administration of the State funded employee benefits program budget. The purpose of the State funded employee benefits program is to ensure that sufficient campus funds are **budgeted** to cover the on-going employee benefit costs associated with State funded eligible salary budgeted on **State General Funds, 19900A, 19900Z, 19906A, 19924A**.

Budgeted funds represent the basic core of financial resources required by the University to accomplish its assigned missions. These funds are considered to be perennial and **permanently** budgeted. If a department provides a service that is expected to be of a continuing nature, it should be budgeted accordingly. This is particularly critical for State General Funds since University State funding is generally based on the permanent budget.

Non-Budgeted funds such as extramural funds and funds provided on a one-time basis are usually not included in the permanent budget because the specific activity and funds are not considered to have a continuing budgetary impact.

IV. POLICY

All campus departments must adhere to the policy and procedure described herein in order to protect a critical source of funding that supports the campus' total State compensation program. No part of this policy and procedure section shall be contradictory to the established human resource benefits policy in administration of the employee benefits program. This policy and procedure section describes how budgeted State General Funds (19900A, 19900Z, 19906A, 19924A) are to be applied to support employee benefit costs resulting from salary actions

approved by the Human Resource Department or otherwise implemented via delegated authority for employees wholly or partially supported by these funds.

The Campus Budget Office (CBO), a unit of Resource Management, has primary responsibility for administering the State funded Employee Benefits Program. It is accountable for maintaining campus affordability of the State Program, including the cost of benefits pertaining to collective bargaining agreements and Universitywide policy. In meeting its campus employee benefits obligation, the CBO practices maximum funding flexibility without regard to whether the employee is faculty, staff or student, whether the employee is represented by a collective bargaining organization, or whether or not the employee is budgeted.

For **budgeted** positions funded by General Funds, the State provides employee benefit funds for salary actions approved in the annual Budget Act. This typically includes range adjustments, merits and at times parity or market adjustments. Also, funds are provided to the campus for employee benefit program changes such as changes to FICA or Health Insurance. **Any other transactions resulting from local decisions, whether it is budgeted or non-budgeted, must be fully funded from within existing campus budgets.**

The focus of this policy and procedure manual is on this latter portion of the campus liability and ensuring that proper policy, procedures and controls are in place for funding academic and staff employee benefit costs associated with transactions resulting from local departmental decisions.

In fulfilling its program administration responsibility, the CBO manages employee benefit funds through the central benefits pools established solely for this purpose. Because the State does not provide benefit funds for local and/or non-budgeted salary transactions that impact campus benefit costs, when departments authorize such transactions, they must transfer sufficient employee benefit funds to cover anticipated costs. Some specific examples of these local transactions include (but are not limited to): a) establishment of new FTE; b) % change of an existing FTE; c) incremental salary changes such as reclassifications, equity increases, position upgrades and promotions; and, d) state funded research grants. Applicable benefit rates for relevant transactions vary and are described in more detail in the subsequent procedure section.

V. PROCEDURE

The procedures described herein apply to all departments effecting staffing for academic and staff budgets that have direct impact to the centrally administered employee benefits budget.

A. Employee Benefit Rates

To maintain equitable treatment of all campus funds, the CBO budgets benefits on state funded positions using rates periodically published by the Office of the President (OP). These published Universitywide rates represent average program costs and are also used for contract and grant proposal budget planning. See **Supplement I**.

Employee benefits rates are composite rates, which are derived from Universitywide average salary and benefit eligibility and cost levels. The employee benefit composite rates used for budget planning purposes are typically comprised of a **fixed** and a **variable** component as described below.

Fixed benefit components are a fixed dollar amount and do not have a direct relationship to employee's salary growth. Examples of a fixed benefit cost are health, dental and vision insurance.

Variable benefit components are a percentage of the employee's salary and, therefore, the dollar amount varies. An example of a variable benefit component is FICA/Social Security.

The specific fixed and variable academic and staff benefit rate components effective January 1, 2002 are reflected in **Supplement I**. Future changes to these rates will be reflected in periodic updates to this supplement.

When the benefits on new FTEs are funded, the rate is a combination of the fixed and variable components. When benefits are funded on incremental salary adjustments, only the variable components are used to calculate additional benefit funding needs. The rationale for using only a variable benefit rate for funding incremental salary adjustments is that only the variable component of benefit costs is impacted with changes to the salary.

B. Establishment of a new FTE

Departments establishing a new permanently budgeted FTE should use the full employee benefits rate published in **Supplement I** and transfer departmental funds to the central benefits pool via an On-Line Transfer of Funds (OLTF) to cover both current year benefit costs and permanent continuation benefit costs. Any activity related to sub 0 FTE should be coordinated with the relevant Vice Chancellor office.

(Also reference Section E below “Movement of Dollars Between Salary Accounts”)

Example: The department of Sociology receives funding approval to establish a new administrative analyst position FTE at the annual salary rate of \$40,000 per year effective August 1, xx. The department must process an OLTF to cover the following employee benefit funds to central benefits pool:

*Current Year: $\$40,000 \times 22\% \times 11/12\text{months} = \$8,067$
Permanent: $\$40,000 \times 22\% = \$8,800$*

C. Adjustment to FTE

Changes to the value of an existing FTE have a direct cost impact. When the value of an FTE increases, departments should transfer departmental funds to the central benefits pool via an OLTF for the balance of the current year benefit costs and for full permanent continuation benefit costs. These transactions are funded at the appropriate published **full benefit** rate found in **Supplement I**. Any activity related to sub 0 FTE should be coordinated with the relevant Vice Chancellor office.

(Also reference Section E below “Movement of Dollars Between Salary Accounts”)

Example 1: The department of Sociology has a 50% FTE position with a salary rate of \$60,000 and is increasing the FTE to 100% effective July 1, xx. Since the benefits were funded initially on a 50% FTE, an OLTF must be processed to transfer benefits to the central benefits pool for the additional 50% FTE using the full published benefit rate:

Current Year & Permanent: $\$60,000 \times 50\% \times 22\% = \$6,600$

Example 2: If the above transaction was effective January 1, xx, the following amount would be transferred to the central benefits pool:

*Current Year: $\$60,000 \times 50\% \times 22\% \times 6/12\text{ months} = \$3,300$
Permanent: $\$30,000 \times 22\% (12\text{ months}) = \$6,600$*

If the FTE decreases or is eliminated, departments may submit to the CBO a written justification for reimbursement of employee benefits. For full reimbursement of benefits funded by the department, a copy of the original transfer funding the employee benefits must accompany the request. Departments should also include a copy of the transfer demonstrating the FTE has been changed (or deleted) and that the payroll systems (PPS) have been adjusted accordingly.

D. Incremental Salary Changes

Incremental salary changes for departmental transactions such as (but not limited to) reclassifications, equity increases, position upgrades and promotions have a direct cost impact. Departments should transfer departmental funds to the central benefits pool via an OLTF for the balance of the current year and for full permanent continuation costs. These transactions are funded at the appropriate published **variable** rate (reference **Supplement I**). Any activity related to sub 0 FTE should be coordinated with the relevant Vice Chancellor office.

(Also reference Section E below “Movement of Dollars Between Salary Accounts”)

Example: Using the same example as in section B, assume the department of Sociology assigns additional higher level responsibilities to this FTE and reclassifies the position to a senior administrative analyst with a salary of \$50,000 effective July 1, xx. Since the position was initially created at \$40,000 and will now be at the higher level of \$50,000, an OLTF must be processed to transfer related benefit funds to the central benefits pool:

Current Year & Permanent: $\$10,000 \times 12\% = \$1,200$

E. Movement of Dollars Between Salary Accounts

When departments are funding salary transactions by moving funding from like sub accounts, e.g. sub account 0 to sub account 0 or sub account 1 to sub account 1, no benefits need to be transferred to the central benefits pool. It is presumed that benefits related to the funding in existing salary accounts have been previously funded to the central benefits pool. However, if the transactions occur between a non-salary sub account and a salary sub account, benefits must be funded to the central pool. In the case where salary dollars are moved **between** salary accounts (e.g. sub 0 to sub 1 or vice versa), benefits on the differential benefit rate must be paid to the pool.

Example: The department of Sociology receives approval to change a previously established academic administrative position to a staff administrative position with an FTE at the annual salary rate of \$100,000 per year effective Aug 1, xx. It is presumed that benefits have been paid using the academic benefit rate (currently 17%), therefore the department funds the difference between the staff and academic rates (22% less 17% = 5%). The department must process an OLTF to transfer the following employee benefit funds to the central benefits pool:

Current Year: $\$100,000 \times 5\% \times 11/12\text{months} = \$4,583$

Permanent: $\$100,000 \times 5\%$ (12 months) = \$5,000

F. Non-budgeted Salary Activity

As described in section III, the purpose of the State funded Employee Benefits Program is to ensure that sufficient campus funds are budgeted and available to cover the on-going employee benefit costs associated with positions budgeted on State funds. **The intent of the program is to cover employee benefit costs resulting from payroll associated with permanently budgeted filled positions and open provisions.**

For all employee benefit costs incurred as a result of payroll from **non-budgeted salary activity**, departments are responsible for providing benefits funding to the central benefits pool. Departments should transfer departmental funds to the central benefits pool via an OLTF for actual current year benefit costs incurred related to non-budgeted activity. The following are two of many possible examples of non-budgeted activity:

Example 1: Combination of Budgeted and Non-Budgeted Activity

A department has 5 budgeted positions, 3 positions are filled with budgeted career appointments and 2 provisions are used for various casual temporary appointments. Consistent with the intent of this policy, the benefits costs will be funded for these employees as long as the actual payroll cost does not exceed the budgeted salary associated with these 5 budgeted positions.

If payroll cost does exceed these budgeted positions, then the excess portion is non-budgeted salary activity and the related benefits costs are the responsibility of the department. Departments should transfer departmental funds to the central benefits pool via an OLTF for actual current year benefit costs incurred related to non-budgeted activity.

Example 2: Temporary Allocations for Non-Budgeted Activity

When departments receive temporary state allocations such as (but not limited to) **state research grants**, departments are required to cover the current year cost of benefits associated with any salary activity for each year of the grant. Departments should transfer departmental funds to the central benefits pool via an OLTF for actual current year benefit costs incurred. Since this is temporary activity, no permanent funds are transferred to the central benefits pool.

Example: The department of Sociology receives a two- year state research grant totaling \$100,000 per year effective July 1, xx. The grant is allocated to the department in sub account 8 unallocated. The department uses \$50,000 of the annual allocation for salaries, and incurs actual current year benefit costs of \$12,000. The department must process an OLTF at fiscal year end to transfer \$12,000 to the central benefits pool to cover the actual benefit costs incurred. This procedure should be done for each year of the grant.

G. Out of Balance – Employee Benefits Account (Sub 6)

Department funding for employee benefit costs incurred is an automated monthly process driven by payroll activity. Costs are incurred and funds are provided to departmental employee benefit accounts (sub 6). An 'out of balance' position is rare but does happen as a result of timing issues or manual transactions typically effected by payroll actions (i.e, leaves without pay, sabbaticals, etc.). In addition, there are departmental transactions that cause 'out of balance' positions such as, but not limited to, tuition remission costs (not funded by the central benefits pool) and state research grants. In recent years, the volume of departmental transactions causing 'out-of-balance' positions has increased significantly.

Effective, March 1, 2003, Payroll will only prepare journals to clear the out-of-balance amounts generated by payroll activities. All other balances (positive or negative) are the responsibility of the department. Similar to all other components of the budget, departments are responsible for managing the (Sub 6) activity on their department ledger. If a balance occurs as a result of an action that should have been covered by the budgetary offset system, the departments should contact the Campus Budget Office to request the balance be moved to the central benefits pool. All other balances are the responsibility of the departments.

H. Deletion of an existing FTE

In the event that an FTE is deleted, departments may submit to the CBO a written justification for reimbursement of employee benefits. For full reimbursement of benefits funded by the department, a copy of the original transfer funding the employee benefits must accompany the request. The departments should also include a copy of the transfer demonstrating the the FTE has been deleted and that the payroll systems (PPS) have been adjusted accordingly.

I. Accounting Information - IFOAPAL

Departments transferring benefits funding to the central benefits pool should use the appropriate IFOAPAL code, Sub-Campus code and SAU code on the OLTF. See **Supplement II** for a list of Central Benefit Pool IFOAPALs. The appropriate IFOAPAL to use is dependent upon in which program the salary is budgeted.

Example: Using the department of Sociology example above, and assuming the salary is budgeted in the instruction program (40XXXX), the associated benefits should also be funded in the instruction program.

	Index	Fund	Org.	Account	Program
IFOAPAL		RMGBD06-19900A-419999-660000-		400001 (Instruction)	
Sub-Campus	1		(for General Campus)		
SAU Code	0				

J. On-Line Transfer of Funds Deadline

The monthly deadline for submitting On-Line Transfer of Funds to the Campus Budget Office for review and approval is 4:30 pm on Tuesday, before the close of IFIS each month. Reference the following web page for deadlines (see section called "Cutoff Dates"):

http://www-cbo.ucsd.edu/staffing_cutoff.aspx

VI. RESPONSIBILITY

A. Vice Chancellors shall be responsible for:

1. Ensuring reporting departments are in compliance with campus policy.
2. Reviewing and endorsing any departmental requests for exception to policy prior to request being forwarded to CBO.

B. Departments shall be responsible for:

1. Ensuring the implementation and adherence to budget policies relating to employee benefits.
2. Ensuring that funds for local departmental transactions are budgeted in order to cover all required benefits costs.
3. Processing required transfers of funds in a timely manner.
4. In the event of a departmental request for exception to policy, providing the CBO with full written justification to facilitate CBO's review. All requests must first be reviewed and endorsed by the respective Vice Chancellor area.

C. Campus Budget Office shall be responsible for:

1. Administering program funds and maintaining campus affordability, including adherence to all campus obligations for benefits pertaining to collective bargaining agreements and Universitywide policy.
2. Updating and communicating policy changes in a timely manner.
3. Assisting department as needed in the performance of departmental responsibilities.
4. Ensuring policy compliance, including reviewing and approving departmental fund transfers for local salary/benefit transactions effected by departments.
5. Reviewing requests for exceptions to policy and communicating resulting decision to the Vice Chancellor area in a timely manner.

UC San Diego Campus Budget Office
 Employee Benefits Rates Components
 Rates as of July 1, 2010

Composite Benefits Planning Rates

Variable Costs

	ACADEMIC	STAFF
Annuitant Health/Dental Program (inc. Admin)	3.48%	3.48%
Employee Incentive Award Program	n/a	0.39%
Employee Support Program *	0.23%	0.23%
Medicare	1.45%	1.45%
OASDI	6.20%	6.20%
UC Retirement Plan	4.00%	4.00%
Unemployment Insurance **	0.46%	0.46%
Worker's Compensation Insurance *	0.58%	0.58%
Total Variable Rates	16.4%	16.8%

Fixed Costs

Dental Plan	0.85%	1.60%
Health Plan	8.30%	15.70%
Life Insurance (Employer Paid)	0.05%	0.09%
Non-Industrial Disability Insurance	0.07%	0.12%
Vision Plan	0.14%	0.27%
Total Fixed Rates	9.4%	17.8%

Total Composite Benefits Rates

25.8%	34.6%
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* **Medical Center - substitute the following rates:**

Employee Support Program	0.12%
Worker's Compensation Insurance	1.99%

** **Unemployment Insurance - substitute by fund source (see PPM 395-10):**

General Fund	0.06%
Federal Funds	0.00%
Other Funds	0.55%

Miscellaneous Special Rates (add to applicable variable rate for total planning rate)

Employees eligible for CORE benefits only

CORE Health Insurance	2.18%
CORE Life Insurance (Employer Paid)	0.01%

Postdoctoral Scholar Benefits Plans

	Employees	Fellows/ Paid Directs
Dental Plan	0.36%	0.36%
Health Plan	19.90%	19.90%
Life Insurance (Employer Paid)	0.90%	0.90%
Non-Industrial Disability Insurance	0.17%	0.17%
Vision Plan	0.17%	0.17%
Worker's Compensation Insurance	0.58%	0.66%
	22.1%	22.2%

UCSD POLICY AND PROCEDURE MANUAL

BUDGET

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Effective: 03/01/03

Supersedes: 07/01/01

Issuing Office: Resource Management

Supplement II

Central Benefits Pool IFOAPALS

Description	SUB	CAMPUS	SAU	INDEX	FUND	ORG	PROG	PROGRAM TITLE
General Campus	1		0	RMGBD06	19900A	419999	400001	Instruction
General Campus	1		0	RMGBD10	19900A	419999	430001	Academic Support
General Campus	1		0	RMGBD15	19900A	419999	440001	Research
General Campus	1		0	RMGBD16	19900A	419999	600001	Libraries
General Campus	1		0	RMGBD18	19900A	419999	620001	Public Service
General Campus	1		0	RMGBD20	19900A	419999	640001	OMP
General Campus	1		0	RMGBD32	19900A	419999	660001	Institutional Support
General Campus	1		0	RMGBD34	19900A	419999	680001	Student Services
General Campus	1		0	RMGBD39	19900A	419999	720001	Institutional Support
General Campus	1		0	RMGBD07	19906A	419999	400001	Instruction
General Campus	1		0	RMGBDM3	19924A	419999	400001	Instruction
General Campus	1		0	RMGBDM4	19924A	419999	430001	Academic Support
General Campus	1		0	RMGBDM5	19924A	419999	440001	Research
General Campus	1		0	RMGBDM6	19924A	419999	600001	Libraries
General Campus	1		0	RMGBDM7	19924A	419999	620001	Public Service
General Campus	1		0	RMGBDM8	19924A	419999	640001	OMP
General Campus	1		0	RMGBDM9	19924A	419999	660001	Institutional Support
General Campus	1		0	RMGBDN1	19924A	419999	680001	Student Services
General Campus	1		0	RMGBDN2	19924A	419999	720001	Institutional Support
Health Science	2		0	RMGBD05	19900A	419998	400001	Instruction
Health Science	2		0	RMGBD09	19900A	419998	430001	Academic Support
Health Science	2		0	RMGBD14	19900A	419998	440001	Research
Health Science	2		0	RMGBD17	19900A	419998	620001	Public Service
Health Science	2		0	RMGBDL3	19924A	419998	400001	Instruction
Health Science	2		0	RMGBDL4	19924A	419998	430001	Academic Support
Health Science	2		0	RMGBDL5	19924A	419998	440001	Research
Health Science	2		0	RMGBDL6	19924A	419998	600001	Libraries
Health Science	2		0	RMGBDL7	19924A	419998	620001	Public Service
Health Science	2		0	RMGBDL8	19924A	419998	640001	OMP
Health Science	2		0	RMGBDL9	19924A	419998	660001	Institutional Support
Health Science	2		0	RMGBDM1	19924A	419998	680001	Student Services
Health Science	2		0	RMGBDM2	19924A	419998	720001	Institutional Support
Marine Science	3		0	RMGBD04	19900A	419997	400001	Instruction
Marine Science	3		0	RMGBD08	19900A	419997	430001	Academic Support
Marine Science	3		0	RMGBD13	19900A	419997	440001	Research
Marine Science	3		0	RMGBD38	19900A	419997	720001	Institutional Support
Marine Science	3		0	RMGBDK3	19924A	419997	400001	Instruction
Marine Science	3		0	RMGBDK4	19924A	419997	430001	Academic Support
Marine Science	3		0	RMGBDK5	19924A	419997	440001	Research

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SECTION 380-6 PAGE 2

Effective: 03/01/03

Supersedes: 07/01/01

Issuing Office: Resource Management

Description	SUB	CAMPUS	SAU	INDEX	FUND	ORG	PROG	PROGRAM TITLE
Marine Science	3		0	RMGBDK6	19924A	419997	600001	Libraries
Marine Science	3		0	RMGBDK7	19924A	419997	620001	Public Service
Marine Science	3		0	RMGBDK8	19924A	419997	640001	OMP
Marine Science	3		0	RMGBDK9	19924A	419997	660001	Institutional Support
Marine Science	3		0	RMGBDL1	19924A	419997	680001	Student Services
Marine Science	3		0	RMGBDL2	19924A	419997	720001	Institutional Support

Alpha Unit Central Benefits Pool IFOAPALS

Systemwide MRU	1		5	RMGBDDZ	19900Z	419995	440000	Multi Campus Research Unit
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