Campuswide Benefit Decentralization

2012-13 Implementation Process

* New or revised material is indicated by an asterisk.

The following is an overview of significant changes included in this version.

- Clarified the definition of fee remission and used this term instead of “tuition remission” throughout.
- Updated information about the Provost Allocation based on the recent paper on that issue.
- Updated information about the status of the campus and state budget for 2012-13.
- Updated the methodology for calculating and allocating 2012-13 benefits funding to reflect:
  - The distribution of a July 1, 2012 initial allocation.
  - What will be included in a secondary allocation during the first quarter of the year.
  - How funding for 2012-13 salary increases will be calculated and allocated.
- Updated the section on Professional Schools Decentralized in 2011-12 to reflect current status.
- Updated Process and Timeline to reflect the changes in the methodology and indicate current status.
- Clarification on how the change in process will affect the automated allocation of tuition remission and leave accrual during the first quarter of 2012-13.

*TERMINOLOGY

Unless otherwise stated, the term unit is intended to refer to the primary campus organizational units that are led by a dean, vice provost or vice chancellor. Consistent with how funding will be allocated for the incentive-based budget model, benefits will be allocated at the highest level. *The term academic unit refers to the schools, colleges, and divisions that provide direct instruction to students. Sub-units of academic units are generally referred to as departments. The term administrative unit refers to campus organizations that provide administrative, academic support, and/or student support but are not responsible for instruction. Sub-units of administrative units are generally referred to as operational units.

The phrase, central benefits pool, refers to the mechanism by which the allocation for employee benefit costs for employees paid with certain funds is centrally funded and managed. More information on this is provided in the background section below.

*Fee remission refers to the funding allocated to units to pay for a portion of the tuition for graduate students who are employed in a title code that receives fee remission as part of their compensation (e.g. teaching assistant, graduate student researcher, reader). Fee remission includes, tuition, student services fee, campus fees, and Graduate Student Health Insurance Plan (GSHIP). The relationship of fee remission to benefit decentralization is discussed in more detail below.

As used in this paper, the term employee benefits, refers to the cost of specific benefits paid by the university for its employees. The type of benefit costs include: OASDI, Medicare, Workers Compensation, Unemployment Insurance, Employee Support Services, Disability Insurance, Retirement, Medical and Dental Insurance, Life Insurance, and other post-employment benefits.
The terms **leave accrual and leave usage** refer to a process by which the cost of employee leave is accounted for in the university financial system. The relationship of leave accrual and usage with benefit decentralization is discussed in more detail below.

**BACKGROUND: CENTRAL BENEFITS POOL**

Current UC Davis policy funds benefits for “core funded salaries” through a central benefits pool. For purposes of this pool, core funded salaries are those that are paid out of an account that meets certain criteria for funding source (as determined by OP Fund) and function (as determined by the Higher Education Function Code). The majority of these accounts are those funded from a combination of state support and student tuition (“199XX” funds), however there are also some accounts with student fees and certain federal contracts and grants that are eligible for central benefits pool funding. Attachment 1, “Benefit Account Eligibility and Central Account Funding Matrix” identifies the fund number and higher education function code combinations currently eligible for central benefit funding.

Under this policy, the base budget for benefits associated with these salaries is held centrally and automatically allocated to campus units on a monthly basis as benefit costs are incurred. As a result, the base budgets of campus units do not truly reflect the full operating cost of those units; or, expressed another way, the full spending authority units receive from core general fund and indirect cost budgets is understated. Additionally, this policy provides campus units with an incentive to put as many salaries as possible on these funding sources.

Currently, from a technical perspective, unit accounts are debited for the amount of employee benefit costs (primarily health and retirement) associated with their payroll expenses. On a monthly basis, funds are automatically allocated from a central account in the pool, in the amount necessary to cover these expenses. The central benefits pool mechanism is also used to distribute funds related to graduate student fee remission. The benefit decentralization discussed in this paper addresses the campus funded employee benefit aspects of the pool mechanism.

**BACKGROUND: PROFESSIONAL SCHOOLS**

Beginning in 2011-12, graduate professional schools are expected to reduce their reliance on state support while retaining student tuition and self-supporting revenue for direct support of the school. Directly maintaining the tuition revenue generated through student enrollment provides these schools with further autonomy to manage their revenues and fee levels to meet school priorities. It also provides the incremental benefit of future tuition and enrollment increases. This change in budgeting methodology was applied to the School of Medicine, School of Veterinary Medicine, School of Law, and Graduate School of Management beginning in fiscal year 2011-12.

In spring of 2011, these four professional schools were given the option of decentralizing benefits beginning in the 2011-12 fiscal year, a year earlier than planned for full campus decentralization. This was done in part to pilot the process for this campuswide change, and in part because it was consistent with the change in budgeting methodology for these schools. The School of Veterinary Medicine, Graduate School of Management, and School of Law took part in this process. At that time the methodology used for decentralizing benefits was developed and
documented in a separate issue paper. That experience informs much of the methodology that will be outlined in this paper.

BACKGROUND: INCENTIVE BASED BUDGET MODEL

Beginning in fiscal year 2012-13, campus will initiate implementation of an incentive-based budget model. Incentive-based budgets are designed to allocate revenue (typically tuition and indirect cost funds) directly to the deans and vice chancellors responsible for generating those revenues. As the number of students, tuition and research grows, the allocations will reflect the increases in revenue. The budget will also include an assessment that will be used, along with state unrestricted funds, for strategic reinvestments in colleges and schools and to support central academic support units (e.g., the library) and administrative services. As the campus makes this transition, the following overarching principles inform the decisions to be made on specific aspects of the budget model.

1. Establish a sustainable funding model with incentives that advance the Vision of Excellence and the 2020 Initiative.
2. Advance and encourage campus strengths and priorities such as interdisciplinary scholarship and internationalization, as well as boost economic development.
3. Be transparent, linking authority with accountability.
4. Be as simple as possible to understand, administer and implement; rely on common and easily available data sources.
5. Encourage creativity and responsible risk-taking while providing for reasonable reserves and oversight.
6. Balance local autonomy with a strong sense of unity in vision and values.
7. Provide mechanisms for investments in fresh ideas at all levels.
8. Provide for reasonable transitions and bridging strategies.

OTHER ISSUES RELATED TO THE CENTRAL BENEFITS POOL

*Fee Remission for Graduate Students*

In addition to funding health and retirement benefits for employees, historically the central benefits pool has allocated some funding for fee remission for graduate students who qualify for this type of support. While technically operating under the same mechanisms as employee benefits, the reasons for managing fee remission in a centralized manner and incentives created by this practice are different than those described above for employee benefits, and changes to this practice will require significant policy considerations that are unrelated to the decentralization of employee benefits addressed in this paper. As part of the planning associated with the transition to the new budget model, a separate analysis will be done to address issues related to graduate students and graduate student support, including fee remission. Incorporating graduate student funding and support into the new budget model has been postponed until fiscal year 2013-14, with extensive planning for this expected to begin this summer. Consistent with this timing, changes to fee remission are not included in the decentralization of employee benefits that will occur in 2012-13 as described in this paper. Fee remission transactions can be separately tracked in campus financial systems and will not be affected by employee benefit decentralization.
Leave Accrual and Usage Tracking

Benefit leave assessment and usage will be treated consistent with the procedures established by Accounting and Financial Services (A&FS). These assessments are not included in the composite fringe benefit rate and will not be part of the benefit allocation received under decentralization. More information on how benefit leave assessments are being treated with the implementation of composite rates is available on the A&FS website under Costing Policy & Analysis/Composite Benefit Rates located at:


Treatment of Indirect Cost Funds Currently in the Central Benefits Pool

The central benefits pool currently includes the following OP funds that are derived from indirect cost return (ICR): 19980, 19920, and 69750. The incentive-based budget model will decentralize and distribute ICR to the unit level through a different process. As such, the benefit decentralization process discussed in this paper will exclude distribution of these funds.

*Information on the allocation method for ICR, including benefits, can be found in the white paper “Indirect Cost Recovery Allocation” available at:

http://budget.ucdavis.edu/budget-model

Rationale for Employee Benefit Decentralization

Continuing to provide centralized benefits for some categories of funding seems inconsistent with the incentive-based budget model for several reasons:

- The true level of support for each unit should also reflect all benefit costs, more clearly linking authority with accountability.

- The incentive to keep salaries on (primarily) state funds in order to receive benefit funding from the central pool is inconsistent with the effort to provide greater flexibility and accountability to use an “all funds” approach to managing unit resources.
• As campus units have more autonomy and opportunity for creativity and responsible risk-taking, the full cost of decisions involving staff and faculty hiring and salary levels should be aligned and transparent at the unit level. The current system dampens the full impact of these decisions at the unit level while driving central costs that are mandatory based upon the unit-level decisions.

The following recent changes in state, University, and campus budgeting and administrative practices made it technically viable and desirable to decentralize benefits:

• The Office of the President funding streams initiative allows campuses to directly retain revenue generated by campus activities including fee, tuition, and research indirect cost funds. Campuses will, for the first time, be keeping virtually all revenues on campus. This change enabled the campus to implement the change in budgeting for professional schools in 2011-12 and will allow for the transition to an incentive-based budget model in 2012-13.

• In 2011-12, campus began using composite benefit rates, an average of all eligible benefits applicable to an employee group. Historically, campus paid benefits on an individual basis, whereby the actual cost of benefits was driven by each employee’s use of the benefits that he or she was eligible to receive. This change decreases administrative burden and reduces the risk of under recovering funds from sponsored projects. It also makes budgeting for benefit costs on a unit by unit basis simpler, negating some administrative reasons for having a central pool. Additionally, the use of composite rates allows us to calculate the cost of benefits, for purposes of decentralization, for categories of employees, rather than at the individual level.

• Historically, the state provided funding to the University for incremental benefit increases associated with state-funded employees, which provided a direct incentive for campuses to encourage units to fund salaries on 199XX funds. In recent years, the state stopped providing these increases; therefore, it is increasingly necessary to use other sources of support for salary and benefit costs. Moving to decentralized benefits will shift the incentive so that units will be more likely to diversify the type of funding that is used for salaries and benefits.

UNIT-LEVEL IMPLEMENTATION OF DECENTRALIZED BENEFITS

Options and Flexibility for Distributing Benefits to Departments or Operational Units

With the decentralization of benefits, there is no assumption or expectation that individual units will continue to manage benefit funds in a centralized manner. Deans and vice chancellors will have the flexibility to manage the allocation of benefit funds in the manner that best meets their business needs. We recognize that with the new budget model units may be considering changes to their own budgeting practices and that ultimately the method of allocating benefit funding will need to align with the unit’s overall budgeting practices. Units may wish to use one method of allocating benefits initially and change this in the future as practices or incentives change. Central campus is committed to assisting units in making this transition as seamlessly as
possible and utilizing existing systems and technical support to do this. Depending upon the budgeting practices used by the unit, deans or vice chancellors may choose to manage benefits in one of the following ways:

- **Let Departments or Operational Units Manage Their Own Benefit Funding**—Deans or vice chancellors could provide departments and operating units with current and/or base budget allocations from the benefit funds received. To assist in this process, when benefits are allocated to the unit level, campus will provide information on how much of the funds are associated with each account currently in the benefit pool. If requested campus could allocate funds directly to specific accounts.

- **Manage Benefit Funds at the Dean or Vice Chancellor Level**—It could be determined that establishing a unit level pool and periodically allocate funds based on actual costs, similar to the way that the campus has historically managed benefits, is beneficial. However, units should carefully consider how factors leading to the campus decentralization, discussed above in the section “Rationale for Employee Benefit Decentralization” also apply to the unit level implementation of a pool. Units may determine that establishing this process may be initially helpful for maintaining the status quo while the impact of other changes in the budget process are being evaluated. If a unit is interested in establishing a pool mechanism, campus can assist by providing the system coding parameters and technical assistance to set up the automated transfer process.

- **Use a Hybrid System for Managing Benefits**—Deans or vice chancellors could choose to distribute some funds as base and/or current allocations to departments and operating units while holding some funds back to provide flexibility to address any unforeseen changes that may occur during the year. In cases where there is an opportunity for sub-units to change the fund source used to pay a portion of employee salaries and benefits, it may also be appropriate to keep some benefit funds at the dean or vice chancellor level to incentivize this change. To assist in this process, when benefits are allocated to the unit level, campus will provide information on how much of the funds are associated with each account currently in the benefit pool. If requested, campus could allocate funds directly to specific accounts. However, in this example, units would need to determine what amount would be allocated to each account if it is not based on the campus calculations.

**Workload Considerations**

Benefit decentralization will likely shift some administrative workload from central campus to the units. Campus units already manage benefits expenses for fund sources not included in the central benefits pool, a process made easier by the move to composite benefit rates. Budget and Institutional Analysis (BIA) and A&FS will provide planning information, modeling tools, and technical support as needed to facilitate the workload associated with this transition. The actual ongoing workload at the unit level will likely depend upon each unit’s current practices and how the dean or vice chancellor chooses to implement this change. At a minimum, it is expected that unit financial staff will reconcile benefit expenses in general fund accounts on an annual basis.
FUTURE BENEFIT RATE INCREASES

Projected Composite Benefit Rates

The composite benefit rates are developed by A&FS based on federal guidelines, and must be adjusted and approved by the federal government on an annual basis. Currently the campus has approved rates set through fiscal year 2012-13. In future years, rates are expected to be finalized during the spring prior to the upcoming fiscal year. For planning purposes, A&FS also provides projected rates through fiscal year 2016-17. These projected rates are provided as Attachment 2. Additional detailed and updated information on composite benefit rates is maintained on the A&FS website.

*Options for Funding Future Rate Increases

Historically, central campus has been responsible for funding the cost of benefit increases paid out of the central pool. When the state provided funding for increased benefit costs, the pool received the appropriate share of these allocations. However, in recent years these cost increases were funded through a share of increased tuition and/or campuswide budget cuts that were allocated across campus units. The state budget continues to have shortfalls and costs of employee benefits continue to rise.

Once benefit decentralization has occurred and the new budget model is implemented, the responsibility for funding benefit increases *will be part of the annual campus budget process. The primary options available to units to fund these costs will be:

- **Increased Revenue**—Possible sources of revenue include: incremental adjustment to the Provost Allocation. The Provost Allocation will provide the mechanism to allocate any new State resources or the Provost share of centrally allocated funds including tuition or indirect costs. Units might also use revenues derived by growth in enrollment or research activity or changes to a recharge rate. *For more information on this see the Provost Allocation white paper.

- **Expenditure Reductions**—In the event that fixed cost increases, including benefits, occur at a higher rate than revenue growth, units may need to reduce other expenses.

- **Shifting Employee Costs to Different Fund Sources**—In some cases, decisions to shift employee costs to other fund sources may improve access to funding for benefit rate increases. This should only be done as appropriate, taking into consideration the employee activities and any rules associated with the use of these fund sources.
THE FISCAL YEAR FOR WHICH BASE BENEFIT FUNDING WILL BE ALLOCATED

Base benefit funding will be allocated to units in 2012-13 in an amount comparable to the full year cost of benefits at the 2012-13 rates and final salaries based on 2011-12 staffing levels. In version 1 of this paper this was proposed as the “Scenario 2” option for determining base funding levels. Using this fiscal year will ensure that the level of funds received through the benefit decentralization effective July 1, 2012 will be sufficient for a unit to cover the full year cost of benefits at the 2012-13 rates. Assuming all other variables are held constant, it is expected that the unit would be able to operate in 2012-13 without making internal adjustments to fund changes in benefit costs due to the rate increase. Additional benefit funding will not be provided for benefits associated with new hires that occur in 2012-13. Conversely, if there are future staff reductions due to budget cuts, efficiencies, or changes in program operations, funding associated with benefits for positions that are eliminated or held vacant will be in the unit’s base budget and available to meet reductions or be reallocated to address other needs.

Providing benefits at the 2012-13 levels will give units more time to implement any system or process changes necessary to prepare for the shift in responsibility in funding future benefit cost increases. This is also consistent with the approach under the new campus budget model to provide units with spending power comparable to existing support.

In order to provide this level of base funding to units, central campus would likely fund the increase in benefit rates through use of campus reserves or campuswide budget reductions, as has been done in recent years to fund increased costs to the benefit pool. *Currently, the campus budget planning for 2012-13 indicates that additional campuswide cuts will not be necessary. However, given that much of the funding for the University of California included in the 2012-13 state budget is contingent upon passage of the Governor’s tax initiative, there is much uncertainty about the final outcome.*

*The detail about how and when 2012-13 unit-level benefit allocations will occur is provided below.

2011-12 SALARIES AS THE BASE FOR DETERMINING THE AMOUNT OF BENEFIT FUNDS ALLOCATED

As is described in detail in the methodology section below, the final 2011-12 salary expenditures for accounts that are currently in the central benefits pool will serve as the starting point for determining the amount of benefit funding to be allocated to each unit. However, regardless of the base year chosen, there are a number of factors that may affect salary expenditures in any given year resulting in anomalous situations at the department or operating unit level. These situations cannot be easily controlled for or adjusted campuswide.

To the extent that a specific hardship occurred in 2011-12 that disproportionally affected the benefits calculated for a department or operational unit, deans and vice chancellors have the discretion to allocate benefits as needed across the organizational units under their purview. In order to provide deans and vice chancellors with additional flexibility to address these needs, final allocations may include some additional resources over the total benefit funding calculated for a unit. This additional funding will be available to address departmental or operating unit level disparities; additional campus funding will not be provided beyond this adjustment as part
of the benefit decentralization process. The types of situations that may affect base salary levels and the amount of benefit funds allocated as part of this process include, but are not limited to, the following:

- **Vacant Positions**—The methodology described below will not account for changes in staff hiring between 2011-12 and 2012-13. Benefit funding for specific positions that are vacant in 2011-12, but are later filled, will not be provided. It is generally assumed that vacant staff positions are part of the normal “turnover” within a unit and that vacancy rates will be similar in future years. However, in instances where 2011-12 vacancy levels were outside of the norm or where a key position was vacant for part of the year, an adjustment in benefits may be warranted.

- **Shared Service Center (SSC)**—Administrative units transitioning to the SSC during 2011-12 may have held positions vacant or used staff from Temporary Employment Services (TES) to prepare for this transition. To the extent that some vacant positions are refilled or benefit funds are needed to pay SSC bills, an adjustment in benefit related base funding may be warranted.

- **Medical Leave**—Employees on long-term medical leave are not captured in payroll data and the cost of their salary and benefits do not accrue to the units during the time they are on leave. These costs are part of the composite benefit rates and are paid centrally by the campus for any employees on leave. To the extent that the number of employees who were on medical leave during 2011-12 was outside of the norm, an adjustment in benefits funding may be warranted.

- **Use of Temporary Employment Services (TES)**—When a unit uses TES to meet short-term employment needs, the cost of TES salaries and benefits are paid through a recharge mechanism and will not be included in the base used to calculate benefit funding allocations. To the extent that a unit used TES during fiscal year 2011-12 and these positions are later filled by permanent employees or employees returning from medical leave, an adjustment in benefits may be warranted. However, the cost of using TES employees through recharge includes some benefits and is typically higher than the cost of permanent employees due to a mark-up in the recharge rate. Therefore, it is not necessarily the case that the use of TES positions results in insufficient base funding if they are converted to permanent positions. In addition, to the extent that the use of TES is a regular practice to address seasonal workload or other temporary staffing needs, benefit decentralization should not affect the funding available to access this service.

- **Use of Overtime**—Overtime payments are included in the 2011-12 salary expenditure data that will be used to determine benefit allocations. Under composite benefit rates, overtime earnings are assessed the same benefit rates as regular earnings. To the extent that overtime usage was higher or lower than the norm in a particular department or operating unit, the dean or vice chancellor may wish to adjust base benefit allocations to account for this. It is also possible that, in some units where required staffing levels are maintained, the inclusion of overtime in the base salary level used for the calculation will somewhat offset shortages caused by not including salaries for employees on medical leave or some vacant positions.
METHODOLOGY FOR CALCULATING AND ALLOCATING BASE BENEFIT FUNDING

*Version 2 of this paper indicated that our efforts would be focused on determining the allocation of benefit funds after the close of fiscal year 2011-12 when final data is available. However, we were ultimately able to extract the data necessary to provide a base budget allocation derived from eleven months of 2011-12 data and 2012-13 benefit rates. We have also determined a streamlined method for allocating benefits associated with salary increases. These changes in the methodology are reflected below.

The methodology outlined below will determine the allocations that units will receive to decentralize benefits.

**Step 1:** Develop an initial benefit allocation for 2012-13 based on 2011-12 salary expenditures associated with accounts that received central benefits pool funding and applying 2012-13 benefit rates.

This step was completed in June 2012. The initial allocations were based on annualizing eleven months of salary expenditures and applying the 2012-13 benefit rates to these expenditures. This data included all employee types, including limited-term or “contract” employees, who were on the payroll, as well as overtime payments. It did not include salaries for positions that were vacant for any part of the year. As discussed above in the section “2011-12 Salaries as the Base for Determining the Amount of Benefit Funds Allocated” specific adjustments for anomalous circumstances affecting salary expenditures in 2011-12 were not made. However deans and vice chancellors were given some additional funding by “rounding up” the total calculated for each unit to address individual circumstances that cannot be easily identified in the data. This allocation was provided as an initial base budget allocation effective July 1, 2012.

**Step 2:** Identify the actual salary expenditures for 2011-12 associated with accounts that received central benefits pool funding and compare to initial benefit allocation.

This step will occur after the close of the 2011-12 fiscal year. The comparison will be based on actual salary expenditure data for individuals paid from OP funds and accounts that received central benefits pool funding for the period of July 1, 2011-June 30, 2012. The data parameters will be the same as those described in Step 1. Adjustments will not be made to annualize the salary expenditures for individuals who were employed for only part of 2011-12, nor will adjustments be made for any new hiring expected to occur after July 1, 2012. The results of Step 2 will be compared to the results of Step 1. If the total allocated in Step 1 is lower than the amount calculated in Step 2, additional funding will be provided in a secondary allocation. Adjustments that decrease the initial allocation will be considered on a case-by-case basis depending upon the materiality of the difference, the need to address anomalous issues in the data, and the magnitude of other reconciling items discussed below.

**Step 3:** Calculate and allocate the full-year cost of 2011-12 salaries and benefits.

This step will determine the incremental funding needed to fully fund the base cost of benefits if the cost of all salary increases implemented during 2011-12 were annualized. Since steps 1 and 2 above are based on actual payroll, the full-year cost of mid-year salary changes was not
captured in the data. This calculation will be based on the actual payroll costing data used to allocate salary increases during 2011-12. This incremental difference in funding will be provided as part of a secondary allocation.

**Step 4: Calculate and allocate the benefit cost associated with 2012-13 salary increases.**

Since the payroll costing data used to implement salary increases is incremental and includes the partial and full-year cost of the salary increases by title code, we will use this data as the basis for calculating and allocating both the current and base benefit costs associated with any salary changes that occur in 2012-13. The appropriate composite benefit rate will be applied to the incremental salary increase included in the payroll costing files. It is our intent that benefit funds will be distributed at the same time as funding for the incremental salary increases, eliminating the need for benefit-only allocation later in the year. This will also provide units with clear data associating the benefit funds provided with the salary increases employees receive. This process will be applied to all campuswide salary increases that ultimately occur in 2012-13 including those for employees in bargaining units, faculty merits, and unrepresented employees. Individual merits or equity increases initiated separately by a unit will not receive new benefit funding. Units should consider the benefit costs associated with these salary changes when determining that the change is appropriate.

For employee groups who are receiving a pay increase effective July 1, 2012, benefit funding associated with this increase will be provided as part of the secondary allocation based on the payroll costing data.

**Step 5: Evaluate any special circumstances and the amount of any additional allocations to deans and vice chancellors to assist with transition issues resulting from any anomalies in the base data used for this analysis.**

The initial allocation in Step 1 provided a level of base funding in excess of the calculated benefit costs. These additional funds were intended to address situations that occurred in 2011-12 that may have disproportionately affected the level of benefit funding a unit received. The likely reasons for these allocations are described above in the section "2011-12 Salaries as the Base for Determining the Amount of Benefit Funds Allocated." During the period that the secondary allocation is being calculated, units will have an opportunity to identify any significant unique situations that would affect the level of central benefit funds provided. BIA will assess these issues and, if appropriate and material, include additional funds in the secondary allocation to address them.

**ADJUSTMENTS TO PROFESSIONAL SCHOOLS DECENTRALIZED IN 2011-12**

When the three professional schools agreed to decentralize benefits in 2011-12, before campuswide decentralization, it was agreed that they would not be disadvantaged by early decentralization. Since the 2012-13 benefit rates will be used for the campuswide decentralization, the three professional schools who decentralized in 2011-12 received an adjustment, effective July 1, 2012, to bring the level of central funding they received up to the 2012-13 rates. Consistent with the agreement with these schools, this adjustment was based on the 2010-11 salary levels used for their decentralization. This ensured that they were neither advantaged nor disadvantaged by changes in the fund sources used for employee costs that were
made subsequent to decentralization. Additionally, these schools will be given the opportunity to receive an additional adjustment if there is evidence that anomalous circumstances occurred that affected the salaries on which their funding allocation was based.

*PROCESS AND TIMELINE FOR DECENTRALIZING BENEFITS, STATUS INDICATED*

The following is the process and timing that will be required to implement benefit decentralization campuswide.

<table>
<thead>
<tr>
<th>Action #</th>
<th>Action</th>
<th>Estimated Timing</th>
<th>Unit Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>*1</td>
<td>Complete Step 1 and provide initial benefit allocations to units.</td>
<td>June 2012. (Completed)</td>
<td>BIA</td>
</tr>
<tr>
<td>*2</td>
<td>Provide account(s) that initial benefit allocations should be distributed to.</td>
<td>Due July 11, 2012. (Mostly Completed)</td>
<td>Schools, Colleges, and Administrative Units</td>
</tr>
<tr>
<td>*3</td>
<td>Make base allocations to campus units and decrease benefits pool.</td>
<td>By July 20, 2012 (In Progress)</td>
<td>BIA</td>
</tr>
<tr>
<td>*4</td>
<td>“Turn off” central benefits pool allocation process for employee benefits.</td>
<td>To be effective for July 2012 pay period. <em>(Completed as of July 1, 2012).</em></td>
<td>BIA will work with A&amp;FS</td>
</tr>
<tr>
<td>*5</td>
<td>Complete Steps 2 &amp; 3, and Step 4 for employees receiving salary increases effective July 1.</td>
<td>By end of August 2012 (timing depends upon availability of June payroll data).</td>
<td>BIA</td>
</tr>
<tr>
<td>*6</td>
<td>Review initial benefit funding allocations and provide feedback on unique situations.</td>
<td>August 15, 2012.</td>
<td>Schools, Colleges, and Administrative Units</td>
</tr>
<tr>
<td>*7</td>
<td>Finalize secondary allocation amounts and provide detail to units.</td>
<td>By end of September 2012.</td>
<td>BIA</td>
</tr>
<tr>
<td>*8</td>
<td>Provide account(s) that secondary allocations should be distributed to.</td>
<td>By mid-October 2012.</td>
<td>Schools, Colleges, and Administrative Units</td>
</tr>
<tr>
<td>*9</td>
<td>Make base allocations to campus units and decrease benefits pool.</td>
<td>By end of October 2012 or when account information is received from</td>
<td>BIA</td>
</tr>
<tr>
<td>Action #</td>
<td>Action</td>
<td>Estimated Timing</td>
<td>Unit Responsible</td>
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<tr>
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</tr>
<tr>
<td>10</td>
<td>Allocate base benefit funding to appropriate unit accounts.</td>
<td>To be determined by campus unit. Central campus will provide technical assistance if requested.</td>
<td>Schools, Colleges, and Administrative Units</td>
</tr>
</tbody>
</table>

*11  *Calculate and allocate benefit funds associated with salary changes that occur during 2012-13.  This will be an ongoing activity throughout the year.

Determined by the timing of negotiated increases, outcome of labor negotiations, faculty merit processes, and potential unrepresented salary increases.  BIA, will consult with affected campus units as needed.

This process will not require campus units to make any changes in how they process payroll for employees. Benefit costs will continue to accrue in the appropriate account under object consolidation SUB6.  However, until units have distributed benefit funding to accounts, as indicated in action # 10 above, individual accounts will experience a deficit in SUB6 because the automatic allocations from the central benefits pool will no longer occur. Once allocations are made campus units will be able to distribute the funding to resolve the deficits.  In addition, A&FS has indicated that due to a need to reprogram the system, there will be a period at the beginning of the fiscal year where leave accrual and fee remission allocations will not occur. We expect that this change will be completed within the first quarter of the year and then these allocations will restart and will address any expenses accrued in these categories during that lag.

**RESOURCES**

Information on Composite Benefit Rates


Information on Leave Accrual and Usage


Information on Central Benefits Pool Accounts
http://accounting.ucdavis.edu/doc_help/labor/compositeBenefitRate/accts_eligible_benefits_funding.cfm

http://budget.ucdavis.edu/resources-for-our-clients/documents/benefits/

*Information on Incentive Based Budget Model Implementation
Includes white papers on ICR, Provost Allocation, and previous versions of this paper

http://budget.ucdavis.edu/budget-model

Information on Employee Salary Changes

http://www.hr.ucdavis.edu/policies