

TO: All Finance Users  
FROM: David L. Murphy, Budget Director  
DATE: June 29, 2007  
SUBJECT: Fringe Benefit Rate Changes

There are several changes to the campus fringe benefit rate effective July 1, 2007. These changes affect all campus funds. The information below explains the changes and the base budget impact on General Operations funds. Please distribute this memo as appropriate to your staff. It will also be posted to the Budget Office website – <http://www.umass.edu/af/budget/datstat.htm>.

**BACKGROUND:**

Late this spring we were notified that the Commonwealth intends to charge us a blended fringe rate for Unemployment Insurance, Universal Health and Medicare effective July 1, 2007. This rate is based on the aggregate salaries and wages of all state employees. This is a change from our current practice of basing the campus fringe rate on the claim history of just the Amherst campus. Worker's Compensation – another component of the campus fringe rate – will continue to be based solely on actual costs incurred on this campus.

Until now these four campus fringe costs – Unemployment Insurance, Universal Health, Medicare, and Workers Compensation -- were paid to the state from the campus central budget and we then recouped our costs through the campus fringe rate. You saw those campus fringe rate charges on your accounting reports posting in accounts 732900 (Workers' Compensation), 732700 (Unemployment Insurance), 732970 (Universal Health) and 732800 (Medicare).

## **CHANGES FOR FY2008:**

While the Commonwealth has not yet given us a final fringe rate we were given an estimated rate of 1.34% for the new Unemployment Insurance, Universal Health and Medicare charge. This rate will be charged as of July 1, 2007 and may be adjusted pending notification of the final rate. This new Commonwealth fringe rate expense will post to account 732320 (description – “Blended UI UHI FedMedER”) and it is charged against all AA payroll and all non-student CC payroll.

We will continue to charge campus funds for workers’ compensation. That charge will now post to account 732340 (description – “Payroll Fringe”) and as in the past this will be charged against all AA payroll and all CC non-student payroll.

Our campus is also awaiting approval for a new Sick Leave Bank fringe charge. A full explanation of this charge will be provided if it is enacted but its purpose is to provide temporary funding to departments who have employees utilizing the sick leave bank. If this is approved we will charge this rate using account 732340. The proposed rate is 0.18% and it would be charged against all A01 payroll – this is the regular base bi-weekly payroll – no overtime, shift differential, etc. We will notify you once we know the final status of our proposal. This will NOT be charged until we are assured of its approval.

The FY2008 rates for the GEO Health Rate charge is \$2,979.20. The FY2008 rates for the GEO Curriculum Fee Waiver are as per the memo distributed by Will Shea on May 23, 2007.

## SUMMARY OF RATE CHANGES:

### State Funds

<b>Fringe</b>	<b>FY2008 Budget</b>	<b>FY2008 Expected Charges</b>
Workers' Compensation	0.62%	0.40%
Unemployment	0.35%	In Blended Rate
Universal Health	0.03%	In Blended Rate
Medicare	NA	In Blended Rate
Sick Leave Bank	NA	0.18%
Blended UI UHI FedMedER	NA	1.34%

### Non-State GenOps Funds

<b>Fringe</b>	<b>FY2008 Budget</b>	<b>FY2008 Expected Charges</b>
Workers' Compensation	0.62%	0.40%
Unemployment	0.35%	In Blended Rate
Universal Health	0.03%	In Blended Rate
Medicare	1.45% (for staff hired after April 1,1986)	In Blended Rate
Sick Leave Bank	NA	0.18%
Blended UI UHI FedMedER	NA	1.34%

### All Other Funds

<b>Fringe</b>	<b>FY2008 Budget</b>	<b>FY2008 Expected Charges</b>
Workers' Compensation	0.37%	0.40%
Unemployment	0.20%	In Blended Rate
Universal Health	0.03%	In Blended Rate
Medicare	1.45% (for staff hired after April 1,1986)	In Blended Rate
Sick Leave Bank	NA	0.18%
Blended UI UHI FedMedER	NA	1.34%

## **BUDGET IMPACT:**

### **General Operations:**

Campus General Operations Base budgets are currently charged a 1% fringe assessment for Workers' Compensation, Unemployment and Universal Health. Medicare is reimbursed as non-base budget allocations equal to the expense. As a result of this change the expected FY2008 fringe charge is 1.92%. The Budget Office will allocate additional base budget to fund the difference between 1% and the new rate. After we receive notification from the Commonwealth of the actual rate we will take a snapshot of AA payroll. This snapshot will be used to calculate the amounts to allocate as Additional Base. We plan to take the snapshot in the fall.

Please note that we rarely adjust budgets due to fringe rate changes. We are doing it for this change because we are simply allocating out to departments the budget held centrally for the Medicare payment.

### **All Other Funds:**

All other funds must absorb any increased costs within the existing budget. We don't anticipate these increases to be significant and in fact some units may enjoy savings as a result of this move to a blended rate. We are still waiting final notification of the FY2008 rate for Retirement, Group Insurance and terminal leave.

I hope this explanation is helpful. Please feel free to contact the Budget Office if you have any questions.