

UC Davis Policy and Procedure Manual

Chapter 330, Financial Management and Services

Section 24, Budgeting for Employee Benefits

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Responsible Department: Office of Resource Management and Planning

Source Document: Accounting Manual Chapter P-196-11, Payroll: Accounting for and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions; Contract and Grant Manual, Chapter 2-522, Salaries, Wages, and Fringe Benefits

I. Purpose

This section provides the policies and practices regarding responsibility for estimating, budgeting, and funding employee benefits associated with salary expense. These procedures are used to establish campus budgets that will ensure sufficient funding to cover the employee benefit costs associated with salaries.

II. Definitions

- A. Current year funding—funding required to support costs through June 30 of the fiscal year.
- B. Additional definitions for the terms used in this section are available in the Personnel Policies for Staff Members, Sections 2 and 30, and in the Accounting Glossary.

III. Policy

- A. All fund sources must budget and pay benefits expenses that correspond to salaries paid by the fund.
- B. Applicable benefit rates vary. See V, below, for references that provide more detail.
- C. No part of this section shall be contradictory to the established human resource benefits policy in administration of the employee benefits program.
- D. Benefit funding for core funded salaries is supported by the Central Benefits Pool. Any increase in benefit expense that is passed on to the central pool must be funded. Go to <http://budget.ucdavis.edu/resources-for-our-clients/documents/benefits/benefits-matrix.pdf/view> for OP fund and Higher Education Function Codes that are covered by this pool.
- E. Interlocation budget transfers (ILTs) that provide salary support must also include full funding for benefits and payroll assessments regardless of the fund involved.

IV. Procedures

- A. Benefits for salaries paid from campus core funds

Benefit expenses generated by eligible activities funded by core funds must comply with the following:

1. Benefit costs for existing positions permanently budgeted as of June 30 of the preceding year (e.g., SUBS, SUBG, or SB0X) are included in the centrally funded campus benefit base.
 - a. Accounts eligible for the Central Benefits Pool receive current year allocations to offset the benefits expenditures. Departments shall not rebudget allocations to/from the Central Benefits Pool for core funds (i.e., transactions involving SUB6 and SB28 are not allowed).
 - b. Incremental benefit increases caused by salary increases provided through the State Budget Act or systemwide collective bargaining; changes in UC benefits packages; or Federal or State legislation shall be funded by the Central Benefits

Pool.

- c. Incremental benefit increases caused by salary actions resulting from local decisions (e.g., reclassifications, equity adjustments) shall be funded from departmental budgets.
 - 1) Departments shall transfer sufficient current year and permanent funds to the Central Benefits Pool.
 - 2) The Budget and Institutional Analysis (BIA) Office shall review departmental budget adjustments related to salary increases. Transactions should clearly reference salary and associated benefit adjustments.

2. Benefit costs for new or increasing positions funded by core funds

Current year and permanent funds for benefit expenses related to new positions or existing positions that are increasing FTE require sufficient funds to be transferred to the Central Benefits Pool.

- a. BIA shall initiate the transfer of funds for the following:
 - 1) Positions created from a specific budget allocation from core funded central campus resources including all ladder-rank faculty FTE.
 - 2) Positions created from a block grant allocation distributed through the annual budget process.
- b. When a new or increased FTE is created by redeploying core funds previously used for non-salary costs, the campus unit must transfer sufficient current year and permanent funds to the Central Benefits Pool for the associated costs. Positions created with core funds used for salary previously do not require additional transfers.

B. Benefits for salaries paid from all non-core fund sources, including but not limited to contracts, grants, and auxiliary services

Departments are responsible for ensuring that benefits for salaries from all non-core funded sources are budgeted and paid. Both current year and permanent funding may be required for benefit expenses.

C. Benefits for salaries supported by Interlocation Budget Transfers (ILTs).

BIA shall review all ILTs to ensure they provide adequate benefits funding. ILTs that do not include appropriate funding will be returned to the originating department for correction.

D. Estimating employee benefit expenses

Benefit expenses can be estimated by applying the appropriate composite benefit rate as shown at http://accounting.ucdavis.edu/doc_help/labor/composite_benefit_rate/index.cfm.

V. References and Related Policies

- A. Office of the President (<http://www.ucop.edu/ucophome/coordrev/ucpolicies/>):
 - 1. Accounting Manual Chapter P-196-11, Payroll: Accounting for and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions.
 - 2. Business and Finance Bulletin A-59, Costing and Working Capital for Auxiliary and Service Enterprises.
 - 3. Business and Finance Bulletin BUS-72, Establishment and Review of Auxiliary Enterprises.

4. Contract and Grant Manual, Chapter 2-522, Salaries, Wages and Fringe Benefits.
 5. Contract and Grant Manual, Chapter 2-528, Forecasting Increases or Decreases.
- B. Personnel Policies for Staff Members (<http://manuals.ucdavis.edu/spp/spp-toc.htm>)
1. Section 2, Definition of Terms.
 2. Section 30, Salary.
- C. UC Davis Administrative Responsibilities Handbook
(<http://accounting.ucdavis.edu/refs/AdminHandbook.pdf>).