

**UNIVERSITY OF COLORADO AT BOULDER**  
**ALLOCATION OF FRINGE BENEFITS USING FLAT RATES**  
**May 2003**

**PURPOSE**

The campus is establishing flat fringe benefit rates for each of the major employee groups at the campus effective July 1, 2003. The purpose of this document is to provide an overview of the flat benefit proposal that has recently been approved by the Department of Health and Human Services, and information regarding when and how this change in business practice will occur.

**OVERVIEW**

A proposal to move to a full-time and part-time flat benefit rate methodology recently has been approved by the Department of Health and Human Services (DHHS). This change from our current methodology had to be negotiated with and approved by DHHS since it impacts how benefits are charged to federally sponsored projects. Currently, departments are charged for actual benefit costs incurred. With a flat benefit rate, benefits expense will be determined by applying the appropriate percentage based on employee type and full- or part-time status to actual salary expense. This methodology will simplify the process of determining fringe benefit expenses relating to all employees. Please note that this proposal excludes tuition remission for student faculty. Flat benefit rates will facilitate planning, budgeting, and other tasks in the ongoing operations of the campus. Any over or under recovery of actual fringe benefit costs will be adjusted in the next rate calculation, which would be in effect after FY2005.

A brief description of the methodology used to calculate the flat benefit rates and a description of employee categories is included in Appendix A. The appendix also provides a link to a matrix which includes information regarding eligibility for full and partial benefits.

**PROPOSED FLAT BENEFIT RATES FOR FY 2004 AND FY 2005**

<b>Employee Type</b>	<b>Full Benefits</b>	<b>Partial Benefits</b>
Professional/Faculty	21.2%	8.7%
Student Faculty (excl tuition remission)	0.0%	3.2%
Classified Staff	19.3%	12.8%
Hourly	0.0%	2.2%

**IMPLEMENTATION**

It is the intent to implement the flat benefit rates with the campus' first bi-weekly payroll in July 2003. All non-General Fund FOPPS will have this change reflected in their monthly statements. You should expect to see fewer benefit expense line items reflected on the monthly statements. There will be no change for General Fund FOPPS. The benefits for General Fund areas will continue to be pooled.

**DESCRIPTION OF BENEFIT ALLOCATION**

*Central Campus Transaction Activity*

Each accounting period, all actual benefits expenses will be recorded to a single FOPPS regardless of the funding source of the FOPPS, including fund type. This central benefits FOPPS will serve as a clearing account and be managed by Accounting and Budget Services. Actual benefits expenses by full- or part-time employee group will post in the clearing FOPPS.

*Department Transaction Activity*

Each accounting period, departments will be charged a *flat benefit rate* based on actual salary expenses. Actual salaries for each employee group will be multiplied by the flat benefit rate for the group. All pooled benefits in the General Fund will remain in the General Campus.

*Annual Transaction Adjustments*

Theoretically, the central campus benefits FOPPS should zero out. At the end of the fiscal year, any remaining balance in the benefits clearing FOPPS will be rolled forward to the next year and will be factored into the next benefit rate calculation.

## APPENDIX A

### **DESCRIPTION OF METHODOLOGY TO DETERMINE RATES**

A review was made of the fringe benefit eligibility for each class of CU-Boulder employee. Employees are grouped into four categories of fringe benefit eligibility, which are Faculty/Professional combined, Student Faculty (Graduate Assistants), Classified Staff, and Hourly. In addition, Faculty/Professional and Classified Staff were separated by full- or part-time per Payroll and Benefits Services definitions.

Salary and benefits costs per the general ledger for the year ending June 30, 2002 were used. A benefits rate for each employee group was calculated by taking the ratio of adjusted FY2002 benefits to adjusted FY2002 salaries. Workers compensation, state unemployment insurance, and annuitants insurance expenses were separately calculated based on actual payment history versus allocations made on estimated rates. The rates include workers compensation, state unemployment insurance, and annuitants insurance as appropriate to the employee group.

The flat benefit rates for each employee group will be reviewed annually to ensure an accurate allocation. The current rates will be in effect through fiscal year 2005.

Refer to <http://abs.colorado.edu/ABS%20WEB/non-htm%20docs/benefitsestimates03.doc> for a matrix of the most recent information regarding the benefits to which each employee group is entitled. To expand on the information included in the matrix, please note that for Classified staff, 'regular' employees are entitled to full benefits and 'temporary' employees are entitled to partial benefits.

Graduate students on academic appointment receive a waiver of some portion of their tuition costs. These costs are excluded from the flat benefit rate calculation.

### **OVERVIEW OF EMPLOYEE CATEGORIES**

**Faculty/Professional:** The faculty/professional category includes faculty, post doctoral students, research associates, professional research assistants and officer/exempt professional staff (staff that are not subject to the State of Colorado Personnel System).

**Student Faculty:** The student faculty category includes graduate students that have a salaried appointment as a Graduate Part-Time Instructor, Graduate Teaching Assistant, or Graduate Research Assistant.

**Classified Staff:** The classified staff category includes all staff that is subject to the State of Colorado Personnel System rules and regulations.

**Hourly:** The hourly category includes all temporary employees, both student and non-student, that are not part of the University's monthly pay cycle. This category of employee is not eligible for most fringe benefits. However, occasionally a salaried employee earns temporary hourly wages and their temporary wages show up in the hourly category along with part of their salaried fringe benefits.