



GEORGIA STATE UNIVERSITY FRINGE BENEFIT RATES



Agenda

- Overview/Background of Fringe Benefit Rates
- Advantages of Comprehensive Fringe Benefit Rates
- Overview of New Fringe Benefit Rates
- Summary of Changes
- Impacts of New Fringe Benefit Rates
- Next Steps

Fringe Benefits

- In FY2009 GSU (Employer share) spent over \$61.6M
 - \$15.4M FICA
 - \$19.7M Combined Retirement
 - \$20.4M Health Insurance
 - \$6.1M Employee tuition, Workers comp, Life, etc.

Prior Costing of Fringe Benefits

- Many benefits specifically followed the cost of the salaries and wages as a % (FICA, Health, Retirement, etc.)
- Some benefits are not costed out, but are charged to a central fund (MARTA subsidy, Employee tuition, Unemployment, etc.)
- Because of the variability in cost to budget, we must handle the budget for benefits differently than other budgeted costs
- Benefits for Part-time employees and Graduate Assistants were covered by the University and not charged to sponsors

What is a Comprehensive Fringe Benefit Rate

$$\text{Fringe Benefit Rate} = \frac{\text{Total Fringe Costs}}{\text{Total Salaries \& Wages}}$$

- Result of the process of taking all employee benefits for an employee group and averaging them into one fringe benefit rate for the group
- **The fringe benefit rate is applied to applicable salaries and wages (includes salary stipends, extra pay, and compensation for research)**
- The fringe benefit charge will show up as one charge per employee per funding source instead of seeing separate charges for each individual benefit
- No changes to GSU employee benefit plans or enrollments

What is the Basis of the Rate?

- Vice President of Research's office will calculate and negotiate annual rates
- Compiles experienced rates from the previous year across all funds and seeks approval from the Department of Health and Human Services (DHHS)
 - Fringe Benefits Included:
 - FICA
 - Insurance—Health, Life
 - Retirement (TRSGA, ORP, ERSGA)
 - Leave Programs
 - Employee Tuition assistance
 - Unemployment Compensation
 - Vacation Payout
 - MARTA, GRTA Subsidy
 - ADP Flex Spending
 - Workers Compensation
- Projects and negotiates anticipated rates for subsequent year

Fringe Benefit Rates & Other Universities

- Currently approximately 50% of universities direct charge fringe benefits and 50% use a comprehensive fringe benefit rate to recover their costs
- The trend is for universities to move to a comprehensive fringe benefit rate charging system, many are planning to make the switch
- Universities that have changed include:
 - Auburn
 - George Mason
 - Clemson
 - Memphis State
 - Wright State
 - Vanderbilt
 - Arizona State
 - UC Davis

Advantages of a Comprehensive Fringe Benefit Rate

- **Increased Efficiency:**

- A fringe benefit rate will pool fringe benefit costs and will distribute total costs to benefiting departments, sponsored projects, and other cost objectives
 - One charge for fringe benefits instead of many charges for individual benefits (FICA, retirement, health, etc.)
- A fringe benefit rate will allow for easier recordkeeping and less maintenance of benefits and costs of programs for employees
- A fringe benefit rate will simplify the following processes:
 - The monitoring of fringe benefit charges to departments, grants, and contracts
 - Billing for grants and contracts
 - Salary transfers

Advantages of a Comprehensive Fringe Benefit Rate

- **Easier Budgeting:**

- Difficult to estimate the funding level
 - Salary decisions at departmental level
 - Hiring decisions not based on benefit projections
 - Ever-increasing fringe benefit escalation
- A comprehensive fringe benefit rate can be used to budget sponsored projects and departmental expenditures
- A fringe benefit rate will simplify budget negotiations with sponsors
- The same fringe benefit rate will be used for budgeting and charging purposes
 - Variances between budget and actual costs for grants, contracts, and departmental budgets will be decreased

Advantages of a Comprehensive Fringe Benefit Rate

- **Increased Recovery:**

- The previous fringe rate of 27.78% did not cover all fringe benefit costs at GSU
- All funding sources on campus will be asked to pay their fair share of all benefits provided to employees
- Benefits previously charged centrally will now be included in the rate
 - Marta subsidies
 - Tuition benefit for Full-time employees
 - Graduate student health insurance
- Costs allocated specifically to departments – termination, sabbatical can be recovered
- F&A (Indirect cost recovery) from sponsored projects

Rationale for Change to Comprehensive Fringe Benefit Rate

- Allows for more exact budgeting
 - On program level
 - University- wide
 - Sponsored projects
- Will result in cost centers paying their fair share of benefit costs from restricted funds, auxiliaries, soft funds

New Fringe Benefit Rates

- Fringe rates approved for FY12 and FY13 by DHHS on July 12, 2011
 - Full-time – 27.8%
 - Part-time – 7.7%
 - Graduate Assistants- 1.8%
- Implementation of costing:
 - July 2011 for Staff & Graduate Assistants
 - September 2011 for Faculty

Overview of Full Time Employees

Fringe Rate 27.8%

ADP PAY CODES	DESCRIPTION	NEW FRINGE ACCT CODE
09F	9 Month Faculty	551120
09Y	12 Month Faculty	551120
09S	Summer Faculty	551120
09A	Exempt Salaried 12 Months (except working retirees)	551120
09H	Non-Exempt Staff 12 Months	551120
09J	Non-Exempt Staff 10 Months	551120
09X	Exempt Salaried 10 Months	551120

Note: These are the fringe rates for faculty at .38 EFT or greater and staff/salaried at .5 EFT or greater. However, if faculty is less than .38 EFT or staff/salaried is less than .5 EFT then would be charged the part time fringe rate.

Overview of Part Time Employees

Fringe Rate 7.7%

ADP PAY CODS	DESCRIPTION	NEW FRINGE ACCT CODE
09P	Part time Faculty	551130
09C	Temporary Staff	551130
09L	Temporary Salaried	551130
09A Working Retirees	Salaried Working Retirees	551130
• 097Z02	Rehired Retiree, Faculty	551130
• 097Z03	Rehired Retiree, Admin	551130
• 097Z04	Rehired Retiree, Professional	551130
• 097Z05	Rehired Retiree, Clerical	551130
• 097Z06	Rehired Retiree, Tech/Paraprof	551130
• 097Z07	Rehired Retiree, Skilled Craft	551130
• 097Z08	Rehired Retiree, Service Maint	551130
• 099X05	Retiree	551130

Overview of Student Rates

GRA/GTA 1.8% & Other Students 0%

Graduate Assistants (GRA/GTA) 1.8%

ADP PAY CODES	DESCRIPTION	NEW FRINGE ACCT CODE
09G	Graduate Assistants	551140

Other Students 0%

ADP PAY CODES	DESCRIPTION	NEW FRINGE ACCT CODE
09T	Student Assistants	N/A
09V	Special Work Study	N/A
09W	Federal Work Study	N/A

Summary of Major Changes

- Three fringe benefit rates based on employee type (full time, part time, and graduate assistant)
- No longer have a separate/different summer fringe benefit rate
- No longer differentiate between retirement plans (ORP vs. TRS) for fringe benefit rate
- Now charging fringe benefit rates to Part time and Graduate Assistants

Why is the Summer Fringe Rate Going Away?

- Starting in Sept. 2011 health & life insurance for faculty will be charged over the course of 12 months rather than 9 months as done in previous fiscal years
- Historically the only reason why there was a separate summer faculty fringe benefits rate was due to the health & life insurance portion of faculty fringe benefits already being covered in the previous fiscal year
- In other words faculty health & life insurance benefits were received for 12 months but, were charged for over the course of 9 months (Sept.-May) which allowed for a lower fringe benefits rate in the summer to be charged
- For faculty not working on sponsored projects in the summer, the University will cover fringe costs

Why do we have fringe rates for GRAs & Part time employees now?

- In the past the University has covered the fringe benefits for GRAs and Part time employees
- These are part of the true cost of doing research
- These costs should be charged to sponsors
- The GRA fringe rate includes the following benefits:
MARTA/GRTA subsidy & GRA Health Insurance
(employer portion only)
- The Part time fringe rate includes the following benefits:
FICA, Workers' Compensation, Unemployment, &
MARTA/GRTA subsidy

Impacts of Fringe Benefit Rates

- Impacts unique to each sponsored project:
 - New award vs. Existing award
 - Cost reimbursable vs. Fixed price
 - Able to re-budget vs. No re-budgeting allowed
 - Funds available for re-budgeting vs. no funds available
 - Salary increases built into budgets vs. no salary increases
 - GRAs/Part time employees
 - Faculty salary & summer fringe rate used
 - Salary Stipends, extra pay, & extra compensation

Other Impacts of a Fringe Benefit Rate

- Part-time employees and GRAs will need to be identified in budgets
- Rates may be higher for some individual projects
- Will no longer see multiple fringe expenses on expenditure reports instead will only see one
- Will no longer see multiple fringe account codes 551100, 551200, etc. for the various fringe benefits on expenditure reports instead will only see one fringe account code for each type of employee (i.e. new fringe acct codes in previous slides)

Impact to New Award Example

For new 3 year award (total award \$1.6M) with 2 faculty (1: 12 month, 1: 9 month & summer), 2 full time staff, 3 GRAs, and IDC at 44.5%

Budget	Year 1	Year 2	Year 3
Total Salary & Fringe Proposed	\$309,031	\$316,053	\$323,284
IDC	\$137,519	\$140,643	\$143,861
Total	\$446,550	\$456,696	\$467,145
Total Salary & New Fringe	\$312,035	\$319,106	\$326,388
IDC	\$138,856	\$142,002	\$145,243
Total	\$450,890	\$461,108	\$471,631
Difference	\$4,340 (increase)	\$4,412 (increase)	\$4,486 (increase)

All years combined difference \$13,239 increase

Impact to Existing Award Examples

For an existing award with only personal services & IDC and 3 faculty (1: 12 month, 2: 9 month & summer), 1 full time staff, 1 part time staff, 2 GRAs, 1 Student Assistant, and IDC at 44.5%

Project Ending this Year

Project Ending in 2 Years

Budget	Amounts	Budget	Amounts
Total Personal Serv. Remaining on Budget line in Exp. Report	\$334,042	Total Personal Serv. Remaining on Budget line in Exp. Report	\$687,253
Total Salary & New Fringe	\$333,340	Total Salary & New Fringe	\$692,835
Difference	\$702 (surplus)	Difference	\$5,582 (deficit)
Additional IDC	None	Additional IDC	\$2,484
Total Additional Costs (Fringe & IDC)	None	Total Additional Costs (Fringe & IDC)	\$8,066

Next Steps

- Following the close out of Fiscal Year 2011
 - The VP of Research & Economic Development and VP of Finance & Administration are going to take a comprehensive look at the financial impact of the new fringe benefit rates on GSU's research portfolio
 - A proposal to mitigate the impact of the new fringe rates on sponsored projects will be communicated to the research community

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