Contract & Grant Accounting Policy 9 Fringe Benefit Rates

The University of North Carolina at Greensboro

Approved by Steve Honeycutt, Interim AVC for Finance, July 1, 2021

Revised July 1, 2021

1. **Purpose**

   The University has established reserve fund pools as a way of handling exceptionally large claims for workers compensation and other claims-made fringe benefit costs against departments without the reserves or resources to support the payments in a single fiscal year.

2. **Scope**

   This policy applies to all payroll earnings at UNCG—faculty, staff, and students—from all funding sources: state, trust, and contract and grant funds.

3. **Definitions and Roles and Responsibilities**

   3.1 **Definitions**

   *Claims-Made Rate* costs include worker’s compensation, unemployment compensation, terminal leave, severance pay, the employee assistance program, and short-term disability. Claims-made fringe benefits are benefits where the University only incurs costs when a claim is made. The claims-made fringe benefit rates are set through a negotiation process with the federal government based on a proposal submitted annually.

   *Direct Charge Rates* are established and regulated by federal and state governmental agencies and private industry outside the University (FICA, FICA medical, health insurance, and retirement). These expenses are direct charged to funds, including sponsored agreements. These rates are determined by the federal government (FICA & FICA medical) and the State of North Carolina (health insurance and retirement) and are not negotiated with our cognizant agency because they are subject to the State of NC approvals by the State Legislature.
A separate university-level *reserve pool* was established for employees paid by state, contract and grant, and trust funds.

<table>
<thead>
<tr>
<th>Reserve Pool Fund #</th>
<th>Type of Fund / Fund Number Range</th>
<th>Program</th>
<th>Status of Cash Balance in Reserve Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>117528</td>
<td>State 110000 - 119999</td>
<td>All except 101</td>
<td>should be zero at the start of fiscal year</td>
</tr>
<tr>
<td>110207</td>
<td>State 110000 - 119999</td>
<td>101</td>
<td>should be zero at the start of fiscal year</td>
</tr>
<tr>
<td>148504</td>
<td>Contract and grant 200000 - 229999</td>
<td>170</td>
<td>carries over from year to year</td>
</tr>
<tr>
<td>146504</td>
<td>Trust (other than contract and grant) 120000 - 199999 230000 - 299999</td>
<td>170</td>
<td>carries over from year to year</td>
</tr>
</tbody>
</table>
Accounts that are regularly paid from the *fringe benefits pool* are:

181510 – Unemployment compensation (the University is self-insured)
150010 – Workers’ compensation medical benefits
150020 – Workers’ compensation temporary disability benefits
150030 – Workers’ compensation permanent disability benefits
150050 – Other workers compensation costs
191110 – Disability benefits – short term
221322 – Employee assistance program
181660 – Transfers to OSC-DCAP (NC Flex FICA Savings)

### 3.2 Roles and Responsibilities

Contract & Grant Accounting is responsible for:

- Preparation of the annual negotiated Fringe Rate Proposal submitted to the Department of Health and Human Services, Cost Accounting Services.
- Confirm the monthly fringe rate charges have posted correctly.

Human Resources is responsible for:

- Processing employee claims-made fringe benefit claims and calculating employee payouts at termination.

Financial Planning and Budgets is responsible for:

- Review the activity and fund balances of reserve pools each year and developing the future year claims-made rates.

### 4.0 Policy

The claims-made fringe benefit expenditures and receipts are reviewed annually to assure sufficient cash flow to meet anticipated costs. The fringe rate proposal is due to the US Department of Health and Human Services by December 31 each year. Due to a cumulative deficit balance in the Trust Reserve Pool, beginning in fiscal year 2021 a separate rate will be established for each salary fund source, based on historical costs and projected future needs.
Effective July 1, 2021 the special benefits rates are as follows:

<table>
<thead>
<tr>
<th>Rate</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>State funds</td>
<td>1.1% n/a</td>
</tr>
<tr>
<td>Contract &amp; Grant</td>
<td>4.0% 2.9% increase</td>
</tr>
<tr>
<td>Trust Funds (includes ICR funds)</td>
<td>4.0% 1.8% increase</td>
</tr>
</tbody>
</table>

**Billing Process**

Each month end, after all payrolls have fed to the accounting system, an automated Banner process reads all the payroll expenditures for each fund where accounts are from 101010 to 149999. The program calculates the appropriate contribution amounts based on the attributes of each fund type (state, trust, contract and grant) and its corresponding contribution rate. The contributions are moved from the funds to the fringe reserve pools as expenses (debits) to each fund’s 181630 account and a negative expense (credit) to the appropriate fringe benefits pool’s 181630 account.

**Allocation of Expense**

The appropriate pool to distribute unemployment, workers compensation, and short-term disability payments is determined by the salary distribution of the employee at the time of the claim.

The payout of severance and terminal (annual and bonus) leave payments is based on the source of funds at the time the employee is terminated. For positions paid from contract and grant projects, the position must have been paid from contract and grant funds for the last consecutive 12 months.

5. **Compliance and Enforcement**

Contract & Grant Accounting is responsible for ensuring compliance with this policy.

6. **Additional Information**

6.1 **Supporting Documents**

- UNCG Negotiated Rate Agreement
- Fringe Benefit Proposal Budget Guidelines

6.2 **Approval Authority**

This policy will be approved by the Interim Associate Vice Chancellor for Finance.
6.3 Contacts for Additional Information and Reporting

- Responsible Executive: William Walters, Director, Contract & Grant Accounting, 336-334-5824, wdwalter@uncg.edu