

From: University Budget Office  
To: Budget and Finance Leaders  
Date: July 28, 2020  
Subject: FY21 Fringe Benefit Reduction and other Personnel-related Allocations

## **I. Purpose and Background**

With the onset of the COVID-19 pandemic, the President's email of June 10, 2020 outlined temporary and permanent actions undertaken to offset significant financial impacts of the pandemic on the University's finances. Following the President's email, the Budget Office distributed estimated effects of the personnel-related actions, including two new allocations in FY21 to allow central management of savings related to 1) personnel actions (furloughs, hours reduction, layoffs, etc.) and 2) the reduction in the University's retirement contribution which has reduced the FY21 fringe benefits rates. In this memo, we provide further guidance on the methodology of the calculation and the mechanisms for the monthly transfers of these allocations. The University Budget Office has been working closely with the central Human Resources team and Employee and Labor Relations (ELR) to track the various actions taken by units: furloughs, temporary hour reductions and layoffs approved by ELR.

## **II. Data**

The data for approved personnel-related actions will be collected from ELR on a regular basis and will be used along with Workday payroll data to calculate monthly allocations for personnel actions. Monthly PAR actuals will be used for the fringe benefit allocation.

## **III. Allocation Method**

### **Personnel-related Allocation**

Actual savings incurred due to temporary actions such as furloughs, temporary hour reductions, reductions in performance bonus, etc. will be transferred as an allocation on a monthly basis. Information on these actions will be gathered from ELR on a regular basis. This information, along with Workday payroll data, will be used to calculate the monthly allocation.

Allocation transfers for each month will occur in the following month. For example, savings realized in July will be transferred centrally in August. A detailed schedule for personnel-related allocations will be shared with Unit Finance Leaders every month prior to submission of the transfers and finance leaders will be given 2-3 days to follow up with the Budget Office with any concerns. Monthly transfer dates will be shared with units in the Budget Office calendar.

Example for personnel-related allocation calculation for **July 2020**:

Employee Name, ID	Action	Scheduled weekly hours (A)	Revised weekly hours (if applicable) (B)	Action Start Date	Duration of Action (in Weeks) ('C)	Pay Cycle	Pay Rate (D)	Base Savings realized in July	Base Savings	Total Compensation Savings (includes FB rate at 19.1% + Fringe Allocation at 5%)
Employee A, XXX	Furlough (A*C*D)	37.5	N/A	7/1/2020	4.4	Hourly	\$ 25.00	=(37.5*4.4)*25	\$ 4,125.00	\$ 5,119.13
Employee B, XXX	Temporary Hour Reduction (A-B)*C*D	37.5	20	7/1/2020	4.4	Hourly	\$ 20.00	=(37.5-20)*4.4*20	\$ 1,540.00	\$ 1,911.14
Employee C, XXX	Performance Bonus		N/A	7/1/2020	N/A	Monthly	\$ 4,000.00	= 4,000	\$ 4,000.00	\$ 4,964.00
<b>Total Allocation Charge</b>									<b>\$</b>	<b>11,994.27</b>

**Fringe Benefit Allocation**

The Fringe Benefit Allocation captures savings centrally due to the temporary curtailment of University contributions to retirement accounts. This allocation will only apply to non-grant and contract accounts as identified by Gift Grant Contract codes in FAS.

To process the allocation, the Budget Office will be using monthly PAR actuals for the calculation of the allocation. Monthly payroll data will be used for calculating the allocation for monthly employees, whereas two paychecks will be used in each month's allocation for biweekly employees. Three pay cycles may be used in months when required. Data on PAR payments, pay cycle date, account information and benefit level will be used to determine the monthly fringe benefit allocation. The fringe benefit allocation is 5% of the Pay Amount for benefits.

Example for fringe benefit reduction allocation for **July 2020**:

Cal YrMo	PAR Acct	Gift Grant Contract Cd (SL)	Benefit Level Cd (PAR)	Pay Amt	Fringe Benefit Allocation (at 5%)
202007	4XXXXXX		1	\$2,000.00	\$ 100.00
202007	4XXXXXX		2	\$1,500.00	\$ 75.00
202007	4XXXXXX		3	\$1,000.00	N/A
202007	5XXXXXX	FG	2	\$1,000.00	N/A
202007	6XXXXXX	NG	2	\$5,000.00	N/A
202007	5XXXXXX	FG	2	\$1,000.00	N/A
<b>Total Allocation</b>				<b>\$</b>	<b>175.00</b>

Gift Grant Contract Code Key

RG	=	Restricted Gift
UG	=	Unrestricted Gift
NG	=	Non-Federal Grant
FG	=	Federal Grant
NC	=	Non-Federal Contract
FC	=	Federal Contract
NA	=	Non-Federal Sub-Recipient (Pass-Through) Award
FA	=	Federal Sub-Recipient (Pass-through) Grant
FD	=	Federal Sub-Recipient (Pass-through) Contract
FB	=	Federal Cooperative Agreement
DC	=	Deferred Capital - Endowment Funds Only
MF	=	Multiple Funding -to be used by Plant Funds Only

**IV. Further Communication**

If you have any questions, please contact your budget analyst or email the Budget Office at [budgetoffice@uchicago.edu](mailto:budgetoffice@uchicago.edu). Additionally, you may also want to refer to the FAQs document distributed by the Budget Office on June 15, which addresses common questions related to the two allocations detailed here.