Annual Base Benefit Rate

Background

The University implemented "salary banding" for purposes of determining the University and employee share of the total medical plan premium in 2004. The intent behind this differentiation in contributions was to support a strategy whereby those employees appointed at a lower salary rate would receive a greater contribution from UC than those appointed at a higher salary level. By its decision to adopt this tiered approach, the University joined other large companies and institutions of higher learning in differentiating insurance plan contribution levels by salary.

At the University, each employee's share of the total premium cost is based on their Annual Base Benefit Rate (ABBR). The ABBR is calculated and falls into one of four salary bands or tiers, using the *full time salary rate* for all employees – full time, part time and employees who take a leave during the year. The salary rate is defined as the monthly salary the employee is appointed to receive, and not based on monies actually earned. As a result, the calculation does not take into account certain variations in an employee's actual earnings.

General

The ABBR is based on an employee's annual salary rate, per the guidelines listed below.

<u>**Definition of ABBR salary rate**</u> – An employee's full-time salary rate on January 1 of the previous year (or the hire date if later) is used to determine the ABBR for the current year. The salary rate is defined as the monthly salary the employee is appointed to receive under an academic, nonacademic, and/or administrative title(s) payable through the University. It does not include:

- stipends,
- shift or other differential pay,
- overtime payments,
- consulting fees or payments in lieu of private practice,
- general assistance "by-agreement" payments in excess of regular salary,
- compensation for extension teaching in excess of regular salary,
- compensation received for summer session or other vacation period employment in excess of regular salary,
- any remuneration received which is in excess of 100% of full-time equivalent of your regular and normal position, and
- pay that exceeds the base salary as negotiated under the Health Sciences Compensation Plan,
- perquisites and any bonuses of other special compensation.

<u>**ABBR calculated on full time rate**</u> – The ABBR is calculated based on an appointment rate of 100%. If the employee works less than 100% time, the ABBR is calculated using a salary rate that is the equivalent of a full time rate for their title.
A full time salary rate for part time employees is used in recognition of the fact that insurance premiums are charged in full regardless of the number of hours the

person works.

Because of this, UC's medical contribution makes up a greater percentage of an employee's pay for a part time employee than it does for a full time employee. To illustrate:

$21,000 - UC annual contribution rate for an employee electing family Coverage (illustrative)
$90,000 - employee's full time salary rate
UC's annual contribution rate for this employee would be:
23.3% of pay for an employee working 100%
31.1% of pay for an employee working 75%
46.7% of pay for an employee working 50%

Since UC's medical contributions already make up a greater percentage of pay for part time employees, to even further increase the value of the employer contribution for these employees by placing them in a salary band reflected by the part time salary would further skew the value of these benefits for part time employees.

Exception: Employees in the F3 Union

Employees in the F3 Union will have their full time rate calculated using the total annual hours of 2920 instead of 2088, in recognition of the 56 hour work week worked by employees in this union.

ABBR for employees with two appointments calculated on higher salary rate. In calculating the ABBR for an individual with two appointments at different salary rates, the ABBR is apportioned based on appointment percentage and salary at each rate. See example #1

ABBR for employees with two appointments, one of which is "benefits eligible" and one of which is not. ABBR should only be calculating on positions that are eligible for benefits – it should not include "ineligible" positions.

ABBR for employees with 9/9 or 10/10 appointments. The ABBR for all employees with this type of appointment/pay is calculated by multiplying the monthly salary by the "paid over" number of months, rather than by twelve months. This change creates equity between two people who work in the same job, but one is appointed/paid 9/12 and one is appointed/paid 9/9. See example #2.

ABBR calculation for employees whose salary rate changes during the year. In the event an employee experiences an employment or salary change during the year or accepts a position with a lower salary rate, both the current and future ABBR fields will be adjusted automatically to reflect the lower rate. Downward adjustments to the ABBR will also be reflected for other salary bases used to determine premium contribution and coverage level for other benefits (such as life insurance). This change will be made effective on the first of the month following the reduction in salary. Retroactive adjustments to the ABBR are not allowed.

The amount of the ABBR is not adjusted automatically due to salary increases during the year, nor should it be manually increased. See example #3.

ABBR calculation following an employment break. Recalculation of the ABBR will follow the 120 day threshold rule found in the Group Insurance Regulations; that is, if the employment break is 120 days or more, the employee is treated as a newly eligible employee and the ABBR will be based on the new salary rate. For breaks less than 120 days, the ABBR on record (as of the beginning of the break in service) will be used.

"Break in service" for purposes of the UC Group Insurance Regulations, is defined in Administrative Supplement II-E of the Regulations. This document specifically indicates that, "A return to pay status from an indefinite layoff or a medical separation within the period of right to recall, rehire, or appointment as specified below is not a break in service." It goes on to define "break in service" based on the current policy or bargaining agreement in place. Therefore, in some cases, a break in service may not have occurred, despite the expiration of 120 days. See example #4. However, if a salary decrease is involved, see section above.

ABBR following an intercampus transfer. The value of the ABBR transfers with the employee; it is not recalculated at the time of the transfer. See example #5. However, if a salary decrease is involved, see section above.

ABBR for employees gaining eligibility mid-year. For employees who transition from ineligible for Faculty/Staff benefits to benefit-eligible, the ABBR will be based on the salary as of the effective date when benefit eligibility begins.

ABBR for employees who transition to Faculty/Staff benefits from Medical Resident Benefits Program or Postdoctoral Scholar Benefits Program. For employees who transition from the Medical Resident Benefits Program or Postdoctoral Scholar Benefits Program, the ABBR will be based on the Faculty/Staff appointment.

Examples

Example #1

Employee A has two appointments at the Date of Hire – one is 50% at $38,292 and the second is 50% at $57,588. The ABBR will be calculated and apportioned based on appointment percentage and salary at each rate. The total ABBR for an employee electing Single Coverage at the Date of Hire will be:

(0.5 x $38,292) + (0.5 x $57,588) = MCB $47,940

Salary Band 1 (less than $53,000)

Example #2

All Lecturers in a department have an annual pay $39,000 and are appointed over 9 months. However, Lecturer A is paid over 9 months and Lecturer B is paid over 12 months. Regardless if paid 9/9 or 9/12, the ABBR for all Lecturers should be the same ($39,000 – first salary band).

Example #3

Employee A was laid off in February. After a 5-week employment break, Employee A hired back into the UC system, but at a 20% reduction in salary. Employee A's salary was reduced from $60,000 to $48,000. Since the salary was reduced upon rehire, both the current year and future year ABBR fields will be adjusted to $48,000. Life Insurance will also be adjusted to reflect the decreased salary.

Example #4

Employee A was terminated May 2016 and rehired March 2017. Per policy, no preferential rehire was involved and there was an employment break of more than 120 days. Upon rehire in March 2017, Employee A should be treated as a newly eligible employee and her current year (2017) ABBR should be based on the salary rate she began earning in March 2017.

Employee B was terminated July 2016 and also rehired March 2017. Per the collective bargaining agreement, Employee B was rehired under preferential rehire; therefore, there was NO employment break. Upon rehire in March 2017, the salary rate on record as of January 2016 will be used for the current year and future year ABBR. However, if the salary rate starting March 2017 is less, then that rate will be used.

Example #5

Employee A transfers between from UCLA to UCSD during the calendar year without an employment break, receiving a 15% increase. The ABBR which was set at UCLA on 1/1 does not change – it would move with the employee as the employee moves.