
Office of the Provost and Senior Vice President
for Academic and Student Affairs

Phone: (906) 487-2440
Fax: (906) 487-2935

TO: Curt Tompkins
President

DATE: January 18, 2002

FROM: Kent Wray
Provost and Senior Vice President

SUBJECT: Fringe Benefit Rate

CC: Dan Greenlee
Dave Reed
Bill McGarry

Subsequent to a detailed study done last year by a committee comprised of faculty, staff, and administrators, you approved a new fringe benefit cost recover rate (FBCR) of 39.9%. In approving this new single rate recovery percentage, you requested that the rate be reviewed the following year (this year).

Early this fall, I requested the Fringe Benefit Rate Committee to conduct a review of last year's approved rate of 39.9%. The committee has concluded its study and has recommended that the 39.9% rate be continued. A copy of the committee's report is attached.

A formal recommendation of the benefit cost recovery rate was required to be submitted to the Office of Naval Research earlier this month. Although the committee had not prepared its final report, Dan Greenlee reported to ONR that the current benefit cost recovery rate of 39.9% was to be continued. This report was based on the completed studies accomplished by the committee members, i.e., the decision regarding the recommendation was apparent from the studies and the committee had reached a consensus on the recommendation to be made; the report had not been written because of the holiday break.

The purpose of this memo is to recommend that you approve the continued application of the current 39.9% benefit cost recovery rate for FY2003. The rate will be reviewed again next fall and the result of that review will be conveyed to you.

KW;jew

Atch: FBCRC Report

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Phone: (906) 487-2440
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TO: Warren K. Wray
Provost and Senior Vice President
For Academic and Student Affairs

FROM: Tony N. Rogers and Deborah L. Lassila
Co-Chairs, Fringe Benefit Rate Committee

SUBJECT: Fiscal Year 2003 Fringe Benefit Rate
Recommendation

DATE: January 17, 2002

CC: P. Eveland
D. Greenlee
M. Haapapuro
J. Meldrum
A. Quinn
J. Seppala
W. McGarry
BLG Members

In August 2001, a committee was formed to review and recommend, if necessary, a change in the fringe benefit rate structure. The committee consisted primarily of a subset of representatives from the original Fringe Benefits Cost Recovery Planning Committee (see attached). The Committee discussed issues relating to the overall rate structure, rate calculations, research grant competitiveness, and Office of Naval Research (ONR) requirements.

Following much discussion, it was determined that continuation of the current rate structure which includes a single rate for all regular full-time and part-time employees, a rate for summer faculty salaries, a rate for temporary employees, and direct charging of holiday time for soft-dollar employees be recommended. The committee felt that there was not adequate historical experience under the new rate structure to evaluate its effectiveness. A formal recommendation for FY03 was due to the ONR in early January. In addition, ONR would not have looked favorably on reopening the rate structure discussion since it has only been in place for one year.

Once the issue of structure was agreed upon, the committee developed three separate methodologies for projecting costs using historical data and projecting future trends. All three analyses produced projected rates within 1% of the current 39.9% rate. Therefore, the committee recommends continuation of the current rate for regular full-time and part-time employees. In addition, continuation of the current 25% for summer faculty and 10% for temporary employees is also being recommended. Attached is a copy of the projected FY03 costs and rate structure.

One last issue that was discussed by the committee was the status of the MPSERS past service liability. The committee felt that for various reasons (i.e., research competitiveness, cost not associated with current employee benefits, etc.) both on-campus and with ONR it was best to continue to exclude this expenditure from the fringe benefit rate calculations.

Enclosures