MEMORANDUM

DATE: April 24, 2014

TO: Deans, Department Heads, Directors of Graduate Studies, Graduate Program Coordinators and Department Business Managers

FROM: Andrew C. Comrie, Senior Vice President for Academic Affairs and Provost
       James A. Hyatt, Interim Vice President for Business Affairs and CFO
       Jennifer K. Barton, Interim Senior Vice President for Research

RE: Proposed ERE Rates for FY2015

XC: Anne Weaver Hart, President, President’s Cabinet

The University of Arizona is committed to providing employees with important benefits such as healthcare, retirement, worker’s compensation, liability insurance and more. These benefits also enable us to maintain a competitive position in the workforce and among our peer institutions. As you will appreciate, keeping a fringe benefit program cost effective with stable rates for these employee-related expenses (ERE) is quite challenging, especially in the face of increased costs.

Our team of financial officers has developed a slate of proposed ERE rates that minimize the impact of cost increases while maintaining benefits in each of the employee groups. These proposed rates have been submitted to the Department of Health and Human Services (HHS) for approval and may be used for internal planning purposes but may not be used for sponsored proposal submissions until they are approved.

The proposed rate schedule is attached. Two specific groups require further comment:

- During the proposal review process, it became clear that the benefits profile of employees included in the ancillary faculty pool had evolved and changed from the historic mix. This necessitated a significant change in the rate for this group from 21% to 28.1%. This rate is more sustainable given the current mix of employees in this pool, and the potential for future large year to year changes should be reduced.

- The graduate assistant/associate ERE rate, which includes tuition remission and health insurance, will increase from 59.5% in FY14 to 63.3% in FY15, primarily due to increases in the cost of Graduate Health Care. Over the past two years, the University has allocated substantial ($18M) funds to pay-off the accumulated deficit in the graduate assistant ERE pool resulting from recent tuition increases. This allows us to hold the tuition remission component of the ERE rate at 50%, preventing what would otherwise be an additional 5 point rate increase.
in FY15. All active sponsored grant and contracts and proposals submitted prior to June 15, 2012, will continue to receive the Grad ERE subsidy approved on July 1, 2013, a further subsidy of $5M.

Last year we received recommendations and suggestions from the Graduate ERE Committee and others to simplify the pool structure of rate setting that we now use. Our offices hope to implement those recommendations and the Finance Team will be modeling the proposals and making their recommendations in time for the next rate review. If accepted, they would be effective for FY16.

Please contact Mark McGurk at 621-3220 or mcgurkm@email.arizona.edu for any questions regarding the proposed FY15 rates. Questions regarding the sponsored grant and contract graduate ERE subsidy program should be directed to Caroline Garcia at 621-3900 or cmgarcia@email.arizona.edu.