**Fringe Distribution Process – effective July 1, 2015 (Fiscal Year 2016)**

Since the implementation of HRS, UW-L has performed a manual distribution of fringe benefits on a quarterly basis. The current process allocates all fringes across all accounts based on an individual’s percentage of wages earned in that fiscal year. Following a review of our institutional process and the recommendations from UW System in managing the fringe benefit pool and extramural fringe benefit rates more effectively, UW-L will be changing the current fringe distribution process effective with Fiscal Year 2016.

The new process for accounting and budgeting for fringes is as follows:

1. An employee’s Redbook department(s) will be budgeted for 12 months (if applicable) of fringe benefits.
2. An employee’s Redbook department(s) will be assessed 12 months (if applicable) of fringe benefits.
3. If an employee receives an overload for another department or account that overload account will only be charged for Medicare, Social Security and Retirement on the amount of the overload.
	1. Example – Faculty member teaches a course for Continuing Education & Extension (CEE): CEE is now only responsible to cover Medicare, Social Security and Retirement on that overload payment and the faculty member’s home Redbook department will continue to cover the full amount of Health Insurance, Life and Income Continuation Insurance (ICI) for that month.
	2. If an employee is C Basis (academic year appointment) and receives a summer stipend for teaching/service, that summer account will only be assessed Medicare, Social Security and Retirement. The charges for Life Insurance, ICI and Health Insurance during the summer will be assessed to that individual’s Redbook home department(s).
4. If an employee’s appointment is split between accounts (includes Redbook and ad-hoc appointments), those accounts will cover all fringe types according to the total appointment FTE, split in accordance with the duration of the contract(s). If any additional overloads are paid out beyond the appointments, the overload account would only be charged Medicare, Social Security and Retirement.

The university payroll system, HRS, has the ability to automate several of the items above so that fringes are posted appropriately upon initial payroll process. There are a few cases/situations where transfers will occur, and this will be monitored by the Budget Office and Business Services and transfers will post throughout the year to move Health Insurance, Life Insurance and ICI charges back to the home department as needed. Departments may still see some fringe transfers within their accounts throughout the year, but it will be just to correct any fringe amounts that went to the wrong account. This should greatly minimize the amount of fringe transfers in and out of accounts that was occurring under the prior method.

The benefits of this new process will be to align fringe resources with the Redbook budget. It will also simplify the budgeting for overload/lump sum payments as the associated fringe benefits will only include Medicare, Social Security and Retirement. For Fiscal 2016, this variable fringe rate will be 19.40%. This new process will reduce the fringe benefits posting to the Extramural Fringe Benefit Pool, which will benefit our future Extramural Fringe Benefit rates. Externally funded grants and contract will need to continue to utilize the established Extramural Fringe Benefit Rates for Fiscal 2016.

Please contact the Budget Office with any further questions on the process.