

Release 1715

UCRP Deduction Calculation Summary

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Information Resources & Communications
Office of the President
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For UCRP participants, all applicable current UCRP employee deductions are taken from net pay and directed to the DCP fund selected by the employee (as per Fidelity MRK). However, system options allow for all or part of these deductions to be directed to the UCRP Basic Plan rather than, or in addition to the DCP Plan. This may be accomplished by adjusting the Basic Rate and/or the DCP Rate. Note that the Regents Reduction (\$19) is a component of this process and this rate may also be easily adjusted.

Whether directed to DCP or the Basic Plan or both, the deduction amounts act to reduce Federal and State Taxable Grosses (although the Regents Reduction is derived and impacts the calculation of the Basic and DCP deductions, it is essentially a notational amount and is not withdrawn from the employees pay and has no direct effect on FWT or State Gross).

The UCRP calculation is based on the earnings month of each detail payment. Eligible earnings on a given paycheck are accumulated according to Earnings Month and, in conjunction with a history of payments, the proper Basic and DCP deductions, as well as the Regents Reduction, are calculated. In this manner, any late pay is assigned to the proper month's history so that the \$19 Reduction is only issued once for that earnings month.

The Basic Plan Rate drives the UCRP monthly calculation. That is, the Retirement Gross times the Basic Plan Rate equals the amount which is distributed among the Basic Plan Deduction, the DCP deduction and the Regents Reduction. In other words, the sum of the Basic Plan Deduction, the DCP deduction and the Regents Reduction will always equal the Retirement Gross times the Basic Plan Rate.

Monthly UCRP Calculation

The Basic deduction, DCP deduction and Regents Reduction are developed as follows for each earnings month:

1. Calculate **Basic-Ded**=
Month RTR Gross * Basic Rate
2. Calculate **\$19-Ded** =
Lesser of **Basic-Ded** or **\$19**
3. Calculate **DCP-Ded** =
Month RTR Gross * DCP Rate
4. Adjust **Basic-Ded** =
Basic-Ded – DCP-Ded
5. Apply **\$19-Ded** to **Basic-Ded**
(hold at zero)
6. Apply remaining **\$19-Ded** to **DCP-Ded**

Refer to Attachment A for examples of the above calculations.

Refer to Attachment B for applicable Considerations and Limitations

Attachment A

	Monthly UCRP Retirement Calculation	Example 1 Basic Rate = 2% DCP Rate = 2% Rgnts Contrb = \$19 Pay = \$2,000	Example 2 Basic Rate = 3.33% DCP Rate = 2% Rgnts Contrb = \$19 Pay = \$2,000	Example 3 Basic Rate = 3.33% DCP Rate = Zero% Rgnts Contrb = \$19 Pay = \$2,000
1	Calculate Basic-Ded: Month RTR Gross * Basic Rate	40.00	66.60	66.60
2	Calculate \$19-Reductn: Lesser of Basic-Ded or \$19	19.00	19.00	19.00
3	Calculate DCP-Ded: Month RTR Gross * DCP Rate	40.00	40.00	0.00
4	Adjust Basic-Ded: Basic-Ded – DCP-Ded	0.00	26.60	66.60
5	Adjust Basic-Ded: Subtract \$19-Reductn from Basic-Ded <i>(hold at zero)</i>	0.00	7.60	47.60
6	Adjust DCP-Ded: Subtract any remaining \$19-Reductn from DCP-Ded	21.00	40.00	0.00

Note the following:

- **Example 1** – These rates represent current UCOP rates (for individuals whose earnings are under the Year-to-date FICA Maximum). Since the Basic Rate is the same as the DCP Rate, no Basic Deduction will be issued (i.e., this is the impact of Step 4). Note that the ending Basic Deduction of 0.00 (Step 5) plus the DCP Deduction of 21.00 (Step 6) plus the Regents Reduction of 19.00 (Step 2) equals the amount of the Retirement Gross times the Basic Rate (i.e., Step 1).
- **Example 2** – These rates are hypothetical but demonstrate the assignment of a portion of the deduction to Basic and a portion to DCP. The Basic Deduction of 7.60 (Step 5) plus the DCP Deduction of 40.00 (Step 6) plus the Regents Reduction of 19.00 (Step 2) equals the amount of the Retirement Gross times the Basic Rate (i.e., Step 1).
- **Example 3** – These rates are hypothetical. Since the DCP Rate is zero, the full employee portion is assigned to the Basic Deduction. The Basic Deduction of 47.60 (Step 5) plus the Regents Reduction of 19.00 (Step 2) equals the amount of the Retirement Gross times the Basic Rate (i.e., Step 1).

Attachment B

Considerations and Limitations

1. Adjustment of the Basic Rate and the DCP Rate will allow a phased implementation to full Basic (Plan 5) deduction allocation.
2. The UCRP routines will properly calculate Late Pay as long as it does not exceed four months in lateness. That is, PPS maintains a monthly history of the Basic Rate, DCP Rate, Retirement Gross, and Reduction Gross for the current month and the previous four months. Late payments beyond this history will be processed using the current Basic and DCP rates but a Regents Reduction for these late payments will not be issued.
3. The Basic Rate, DCP Rate, and Regents Reduction Amount are currently maintained on the Benefit Rates Table as population default rates. However, the table structure and associated rate selection is primarily based on employee specific Title Unit Code/Representation Code. Therefore, this process will allow differing UCRP rates to be assigned at the Bargaining Unit/Representation Code level.
4. The historical storage and calculation usage of the Basic Rate and DCP Rate is a percentage allowing only 2 decimal places (e.g., 2.33%). However, the BRT retirement rate set will allow a percentage of up to 4 decimals which is misleading because the low order 2 decimals will not be used during program calculation.
5. Late pay is generally processed using the current Basic Rate and current DCP Rate. This allows for the condition that when an employee is already over the YTD FICA maximum but receives late pay applicable to a month which was under the maximum, the entire payment must be handled using the over maximum rates. When the month's payment is negative, the historical rates will be used. In this manner, overpayments using negative grosses will duplicate the original in reverse.
6. The philosophy of calculation for a prior earnings month is to recalculate any original payment deductions, and then, add any new late payments so as to calculate the total for the month. The current deductions are then developed by subtracting the "original" from the "total". In this manner, the net total deductions of a \$1000 payment for a specified month will be the same whether it was entered as one payment or whether it was entered as two \$500 payments, each entered in a different pay cycle. Therefore, if a portion of the Regents Reduction was assigned to DCP on the first pay cycle, it may be re-directed to the Basic Deduction on a subsequent payment. The methodology for doing this is to test a preliminary Basic Deduction to be less than zero and if so, the negative Basic is added to the DCP deduction and then set to zero. Unfortunately, for late payments during periods of rate change, this may cause a negative DCP deduction to be issued even if the DCP Rate is zero.
7. In the Expense Distribution process, the matching University Retirement Contribution is developed using rates contained on the System Parameter Table (#s 133, 134,135, 141,142,143). If specific Bargaining Unit rates for employee deductions are implemented, the matching University Contribution should probably be adjusted (i.e., up or down) for these groups in order to maintain constant funding per unit of gross pay. Therefore, the University Retirement Contribution rates should also be maintained on the BRT (rather than as System Parameters).

8. In the Expense Distribution process, the Regents Reduction is treated as a notational amount and ignored for all GL impact. If it becomes desired that this amount be factored into the calculation of the University Contribution, the current "rate times gross" function must be replaced with some form of pro-ration calculation.