

Created on: July 19, 2007  
Last Modified on: September 13, 2007

## **SR81962 Requirements Remove Shift from MCB Calculation**

### **Objective:**

The objective of this request is to remove Shift Differential from the MCB (Medical Contribution Base) calculation. This change will impact the following:

- Future MCB calculations, for example those done for new hires going forward and for the Annual Benefits Audit scheduled for January 2008
- The “Next Year MCB” values in the EDB that will become effective in December 2007

### **Project Type:**

This involves both a one-time program and modifications to existing programs.

### **Requested by:**

HRB Policy & Program Design

### **Analyst:**

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### **Due Date(s):**

The requested modifications are Date Mandated.

It is requested that the application changes and one-time programs be made available to campuses by early September 2007 so that they have adequate time to test and install the release prior to Open Enrollment, which uses the Next Year MCB. In addition, installing prior to the October Merit Cycle will ensure that the newly increased rates will not enter into the MCB calculation.

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## Background

An employee's medical plan monthly cost depends on the plan and the coverage the employee has chosen, as well as their Medical Contribution Salary Base (MCB). The MCB is derived from the employee's payroll information. Medical plan rates are tiered (based on the employee's MCB) so that the cost the employee pays for medical insurance is somewhat proportional to his/her pay rate.

Service Request 80191 dated 08/08/02 asked for the establishment of two new data fields, the 'Medical Contribution Base – Current Year' and the 'Medical Contribution Base – Next Year' to be used in the calculation of the UC contribution toward the medical premiums according to salary level. At that time, it was decided to model the calculation of this Medical Contribution Base (MCB) after the existing methodology used for the calculation of the Supplemental Life Insurance Salary Base. These changes to PPS were included in the omnibus 2003 Benefits Changes that were originally released to campuses on 11/08/02 as Release 1440.

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 MCB for the current year (e.g., the MCB for 2008 will be based on the full-time salary on 1/1/2007). The amount of the MCB is not adjusted automatically due to salary increases throughout the year, nor will it be reduced if someone's salary is reduced. 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. This includes such things as stipends for department chairs, or Shift Differentials.

It is the practice of some campus departments to automatically enter Shift Differential distributions into the Employee Database (EDB) for employees in certain types of jobs. This facilitates payment in case the employee is required to work a night or evening shift. The Shift Differential is included in the MCB calculation whether or not the employee actually earns Shift Differential, since the calculation is based on the EDB distributions rather than on actual earnings. In some cases, inclusion of Shift Differential has placed the employee in a higher Salary Band than they would otherwise occupy, thereby increasing his/her benefit cost.

Various Bargaining Units have filed grievances that Differential pay should not be included in the MCB calculation. In May, 2007, UCOP Human Resources and Benefits, Health and Welfare Policy and Planning and Labor Relations, expressed a need to analyze the impact of Shift Differential in the calculation of the MCB.

Release 1767 in June, 2007, supported this analysis. Campuses performed a special one-time recalculation of MCB to exclude Differential pay and sent their data files to UCOP. The one-time recalculation of MCB was compared to the current calculation of MCB. OP HR&B analyzed the data to determine the impact on overall benefit costs based on the population of employees in each band and the inclusion or exclusion of Differential. The number of employees by bargaining unit whose MCB changed due to Shift Differential was tabulated.

At this time HR&B Policy and Planning has requested that Shift Differential be excluded from the MCB calculation, effective for 2008 medical premiums.

This Service Request addresses the following topics:

- Modification of MCB calculations performed by various processes throughout the Payroll application.

- Recalculation and modification of existing MCB values in the Employee Database. One-time programs will be needed to recalculate MCB values excluding Shift Differential and update the EDB.

The following terminology is used in this request:

- **Medical Contribution Base – Current Year (EDB0289).** The salary base to be used in the calculation of the UC contribution toward the medical premium for the current year. Also referred to as MCB-CY.
- **Medical Contribution Base - Next Year (EDB0290).** The salary base to be used in the calculation of the UC contribution toward the medical premium for the next year. Also referred to as MCB-NY.
- **Annual Benefits Premium Audit (PPP570):** The Benefit Premium Audit performed every January moves Next Year MCB value into Current Year MCB field and calculates new Next Year MCB value.
- **EDB Explicit Maintenance:** derivation of MCB – CY and MCB – NY is triggered whenever there is a change to the assigned BELI and whenever there is a change to one of these elements:
  - Distribution Begin Date (EDB 2053)
  - Distribution End Date (EDB 2054)
  - Distribution Pay Rate (EDB 2055)
  - Description of Service Code (EDB 2056)

Note: Value not re-derived if there is already a value in the field.

- **EDB Monthly Periodic Maintenance:** derives Medical Contribution Base fields (only if they are not yet populated).
- **Daily Maintenance for Web/IVR Transactions:** The EDB Maintenance process that edits daily transactions from the UCOP Web/IVR applications and posts them to the EDB derives Medical Contribution Base data elements when a Medical Enrollment transaction is received and when the current value of the MCB is zero.

## Current Process:

Four different processes in the Payroll/Personnel System calculate Monthly Contribution Base values:

- Annual Benefits Premium Audit (PPP570)
- EDB Explicit Maintenance
- EDB Monthly Periodic Maintenance
- Daily Maintenance for Web/IVR Transactions

Currently, all MCB calculations include Shift Differential.

The current MCB calculation includes Differential Rates based on:

- Pay Category = 'D' (differential) or
- Pay Category = 'S' (Suspense) and Time Code = '8' (Regular at other than Regular time rate)

## Proposed Process:

The MCB calculations performed by the Annual Benefits Premium Audit (PPP570), EDB Explicit Maintenance, EDB Monthly Periodic Maintenance and Daily Maintenance for Web/IVR Transactions should be modified to exclude Shift Differential. The new MCB calculations should be used going forward. All other MCB logic should be left unchanged.

In addition, the following one-time process is needed to recalculate and modify existing MCB values:

- 1) Calculate the 2008 MCB-NY excluding Shift Differential for all active employees using the 2006 frozen year-end EDB.
- 2) Calculate the 2008 MCB-NY excluding Shift Differential for all active employees using the current EDB.
- 3) Compare the employee's existing MCB-NY on the EDB with the lowest value calculated by 1) and 2). If this lowest calculated value is lower than the existing MCB-NY on the EDB, update the record. Produce a change file and a tab-delimited file.

Campuses should send copies of their tab-delimited files to UCOP, in case further analysis is needed or questions arise.

Note: This Service Request does not address updates to the MCB-CY values that are in effect for calendar year 2007. It is expected that the tab-delimited file will assist campuses in their analysis and help flag employees for whom the MCB-CY may need to be updated.

## Requirements

### 1.0 Annual Benefits Premium Audit (PPP570)

MCB calculations should be modified to exclude Shift Differential. The MCB calculation should exclude Differential Rates based on:

- Pay Category = 'D' (differential) or
- Pay Category = 'S' (Suspense) and Time Code = '8' (Regular at other than Regular time rate)

### 2.0 EDB Explicit Maintenance

MCB calculations should be modified to exclude Shift Differential. The MCB calculation should exclude Differential Rates based on:

- Pay Category = 'D' (differential) or
- Pay Category = 'S' (Suspense) and Time Code = '8' (Regular at other than Regular time rate)

### 3.0 EDB Monthly Periodic Maintenance

MCB calculations should be modified to exclude Shift Differential. The MCB calculation should exclude Differential Rates based on:

- Pay Category = 'D' (differential) or
- Pay Category = 'S' (Suspense) and Time Code = '8' (Regular at other than Regular time rate)

## 4.0 Daily Maintenance for Web/IVR Transactions

MCB calculations should be modified to exclude Shift Differential. The MCB calculation should exclude Differential Rates based on:

- Pay Category = 'D' (differential) or
- Pay Category = 'S' (Suspense) and Time Code = '8' (Regular at other than Regular time rate)

## 5.0 One-time Process

### 5.1 Recalculate MCB-NY values using 2006 Frozen Year-End Database

A process should be developed to calculate the 2008 MCB-NY for all active employees against the 2006 frozen year-end EDB. This is very similar to the MCB extract performed in Release 1767 (Impact of Shift Differential on Medical Contribution Band Calculation).

- 1) The process should perform MCB calculations using all existing MCB logic except for the processing of Differential rates. The MCB calculation in this program should exclude Shift Differential based on:
  - a) Pay Category = 'D' (differential) or
  - b) Pay Category = 'S' (Suspense) and Time Code = '8' (Regular at other than Regular time rate)
- 2) This process should result in calculated MCBs that can be compared with the output described in 5.2.

### 5.2 Recalculate MCB-NY values using Current EDB

A process should be developed to calculate the 2008 MCB-NY for all active employees against the current EDB.

- 1) The process should perform MCB calculations using all existing MCB logic except for the processing of Differential rates. The MCB calculation in this program should exclude Shift Differential based on:
  - a) Pay Category = 'D' (differential) or
  - b) Pay Category = 'S' (Suspense) and Time Code = '8' (Regular at other than Regular time rate)
- 2) This process should result in calculated MCBs for all active employees that can be compared with the output described in 5.1.
- 3) There will be some overlap between the output from 5.1 and 5.2, but process 5.2 will pick up the employees who were hired in 2007 or who became eligible for benefits in 2007.

### 5.3 EDB Update

Run a process to perform the following steps:

- 1) For each employee, compare the MCB-NY values calculated by the processes described in 5.1 and 5.2; select the lowest value.
- 2) If this lowest value is lower than the employee's existing MCB-NY and the current BELI is 1, 2, 3, or 4, update the EDB in place.
- 3) Produce the following files:
  - a) The standard EDB update change file that can be used to produce the PPP1800 report, which contains old and new values for changed data elements.

- b) A tab-delimited file of all employees for whom an MCB was calculated, whether or not the MCB was changed. See Attachment A for the record layout.
- c) Campuses should send copies of the tab-delimited files to UCOP.

## Attachment A: Tab-delimited File Layout

This program should generate a tab-delimited electronic file with column headings. This file will contain data on all employees for whom an MCB was calculated, whether or not the MCB was updated. This file should include:

Data Definition	Column Heading Description
Location associated with home department code from home department table	LOCN
Department location associated with home department code from home department table	DEPT LOCN
Employee Number (key field)	EMP ID
Employee Name Combined (EDB0105)	EMP NAME
Home Department Code – EDB (EDB0114)	HOME DEPT CODE
Home Department Name	HOME DEPT NAME
Employee Benefit Eligibility Unit Code-EDB (EDB0445)	BEN ELIG UNIT CODE
Employee Benefit Eligibility Representation Code-EDB (EDB0446)	BEN ELIG REP CODE
Most Recent Hire Date-EDB (EDB0113)	MOST RECENT HIRE DATE
Medical Contribution Base - Current Year (EDB0289) – existing in EDB	MCB-CY
MCB calculated from the 2006 year-end EDB, excluding shift differential	MCB-CALC 2006 EDB NO SHIFT
MCB calculated from the current EDB, excluding shift differential	MCB-CALC CURR EDB NO SHIFT
The lower value of MCB-CALC 2006 EDB NO SHIFT and MCB-CALC CURR EDB NO SHIFT	MCB-LOWEST-CALC
Medical Contribution Base - Next Year (EDB0290) – existing in EDB prior to update	MCB-NY OLD
New value of Medical Contribution Base - Next Year. If no update occurred, this will be the same as the EDB0290. If an update occurred, this will equal the MCB-LOWEST-CALC.	MCB-NY NEW
Flag = Y if an update occurred, N if no update occurred.	MCB-NY UPD FLAG
Flag = Y if the Lowest Calc is lower than the employee’s Medical Contribution Base - Current Year, N if the Lowest Calc is not lower than the employee’s Medical Contribution Base - Current Year.	MCB-LOWEST-CALC < MCB_CY?

The first tab-delimited record should be a header record that contains the run date in the format of mm/dd/yy and a description of “MCB CALCULATIONS TAB DELIMITED FILE.” The last tab-delimited record on the file should be a trailer record that contains a count of the total number of detail records written to the file.