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University of California

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

Issues Resolution Memo No. 45.6

Issued: March 22, 2005

OPEB Modifications to the Payroll/Personnel System: Payroll STIP File

Define Issues

This Issues Resolution Memo (IRM) details the proposed modifications to the Payroll/Personnel System (PPS) that are required to support the University's approach to implementing the GASB financial reporting requirements in the University's consolidated financial statements and the separately audited "carve out" financial statements. The modifications include the development of a new process that will calculate the OPEB assessment for each payroll computation process and a method to add the OPEB assessment value to the UCRS Control for Treasurer's STIP (Payroll STIP) file that is transmitted after each payroll.

Background

Currently, at the end of each payroll computation cycle, campuses create the UCRS Control for Treasurer's STIP File (Payroll STIP File) that contains the University contributions and employee deductions for all UCRS plans. Campuses transmit this file electronically to OP in order to maximize STIP income on the contributions and deductions.

Meanwhile during month-end processing, the PPS Distribution of Payroll Expense process assesses Annuitant Health/Dental benefits against all account/funds from which employees participating in a University sponsored retirement program receive pay. At the end of the monthly reporting cycle, campuses initiate inter-location journals to transfer the Annuitant Health/Dental assessment to OP. The National Laboratories and Hastings College of the Law receive billing statements for their portion of the actual costs of the Annuitant Health/Dental benefits. The Laboratories and Hastings remit payments to OP on a quarterly basis.

Modifications to the PPS (Service Request 16945) will make obsolete the Annuitant Health/Dental Assessment after the monthly processing of June 2005 earnings and will activate the OPEB Assessment as of July 2005 earnings. For the fiscal year 2005-06, campuses will continue to initiate monthly inter-location journals that transfer the OPEB Assessment to OP until the OPEB Trust becomes active. The Laboratories and Hastings will receive monthly bills for their portion of the actual costs of the OPEB.

When the OPEB Trust becomes active, the campuses must transmit OPEB Assessments after each payroll compute cycle and the Laboratories and Hastings must remit OPEB Assessment amounts monthly. These changes in procedures will more closely align the processing for payments to the OPEB Trust with those to the UCRP.

Authoritative Guidance

The authoritative guidance is documented in IRM GASB 45.1, *Financial Reporting Approach for the University's Consolidated Financial Statements, the Separately Audited "Carve Out" Financial Statements, the National Laboratories' Financial Statements and The Hastings College of the Law*, and is an important part of the background supporting the positions contained in this IRM.

Recommended Approach

The PPS modifications planned in response to the GASB reporting requirements are summarized as follows:

- **Modifications of UCRS Control for Treasurer's STIP (Payroll STIP File)**

Currently, the Office of the President, Human Resources/Benefits – Financial Services receives the payroll data from the transmitted Payroll STIP files after each payroll computation cycle. Although the OPEB Assessment charged to departmental accounts at campuses will be determined during the Distribution of Payroll Expense Process, a calculated OPEB Assessment for the current payroll computation process will be added to the Payroll STIP file. The OPEB Assessment transmitted to UCOP will be credited to the OPEB Trust Account.

Laboratory Employees

The PPS is not used to pay employees at the Laboratories. HRB Financial Services will continue to bill Laboratories for the actual OPEB costs in behalf of the OPEB Trust on a monthly basis.

University Affiliated Employees

Although PPS is used to pay employees at Hastings College of the Law, HRB Financial Services will continue to bill Hastings for the actual OPEB Costs in behalf of the OPEB Trust on a monthly basis.

- **Modification to the Payroll Computation Process**

A new process will be added to the Payroll Computation Process and will contain the criteria and algorithm to calculate the OPEB Assessment to be transmitted on the Payroll STIP file. The selection criteria to calculate the OPEB Assessment follow:

- If the employee has a retirement code of
 - **U** = UCRS (University of California Retirement System)
 - **B** = UCRS (no deduction)
 - **1** = UCRS (no deduction FY Limit)
 - **F** = FCERS (Federal Civil Employees Retirement System)
 - **O** = OCERS (Orange County Employees Retirement System)
 - **P** = PERS (Public Employees Retirement System)
 - **S** = SCERA (Sacramento County Employees Retirement Association)

OR

- If the UCRS and PERS Subject Gross Indicators on the Description of Service (DOS) Table are “+”

OR

- The Distribution Priority Code on the DOS Table is not Zero (0).

The process will calculate the OPEB Assessment using the following algorithm:

- Distribution Gross divided by 100; then multiplied by the OPEB Assessment Rate.

- **Modification to the Month-End Process**

A new month-end report will be developed to compare the OPEB Assessment amounts transmitted on the Payroll STIP file to the OPEB Assessment amounts calculated during the Distribution of Payroll Expense Process.

Next Steps – Required Actions

Responsibility	Required Completion Date	Action Item/Task
OP-FM	No later than Dec-05	Submit Service Request
OP-FM	No later than Dec-05	Contact laboratories
OP-FM	No later than Dec-05	Contact HR/B-Accounting (UCRS) and OP-Endowments.
OP-IR&C	May-06	Program changes to locations
HR&B	May-06	Modify UCRS to accept modifications
Campuses	Jun-06	Confirm installation and implementation of changes to Payroll STIP file