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TO: Boston University Faculty

FROM: Jean Morrison, University Provost and Chief Academic Officer JM

Gloria Waters, Vice President & Associate Provost for Research G.W.

DATE: May 27, 2020

SUBJECT: FY2021 Suspension of the University Contribution to Employee Retirement Plans

We are writing to explain an issue regarding the suspension of the University's contribution to employee retirement accounts for FY21. When salaries are paid from external funds, the associated fringe benefit costs are also paid from that external source. As a result, the University's suspension of its retirement contribution to these individuals' retirement accounts appears to reassign external funds provided for this benefit from the individual to the University, which seems inappropriate.

Our institutional benefits plans (and those of similarly situated universities) are regulated by the federal government under both the Employee Retirement Income Security Act (ERISA) as well as the Internal Revenue Code. These laws, which are designed to protect and ensure equitable treatment of plan members, do not permit us to suspend the University retirement contribution to some groups of employees and not to others, with only a few very specific exceptions.

Therefore, the University has decided that the suspension of the retirement plan contribution for FY21 must impact everyone, regardless of how their salary is funded.

The University negotiates its fringe benefit rate for grants and contracts with the Department of Health & Human Services. The fringe benefit rate is a blended rate representing the cost of all benefits offered by the University to employees regardless of whether an employee chooses to enroll in a particular benefit. Therefore, fringe benefit costs on grants and contracts are not specific to any particular benefit. In addition, the University's fringe benefit rate is developed for a two-year period by Post Award Financial Operations, based on an average of the University's two *prior* years' total benefits expenditure divided across the total employee salary pool, regardless of individual eligibility for, or participation in, any specific benefit plan.

Given that the fringe benefit rate is developed on a retrospective basis, the fringe benefit rate based on the benefits expenditure for FY21 and FY22 may well result in a decrease in FY24 and

FY25 rates due to the fact that there was no retirement plan expenditure in FY21. This would provide some prospective relief to the fringe benefit rate.

In addition, the University is currently exploring options that may allow us to decrease the FY21 fringe benefit rate charged to grants and contracts because of the suspension of the University's contribution to employee retirement plans. If such a change is made, it will then be necessary to determine whether granting agencies will allow PIs to allocate any freed-up funds to direct costs, or whether agencies will require a budget reduction. We will keep you appraised of our continuing efforts, but we hope this information is helpful.

Cc: University Leadership Group