**FY2020-21 Fringe Benefit Rates & FAQ**

 **Fringe Rates Effective 7/1/20 – 6/30/21:**



**Frequently Asked Questions:**

* Why does the University charge a fringe benefit rate?
	+ The fringe benefit rate covers the cost to the University for the employer portion of health insurance, contributions to retirement, FICA, and unemployment (for auxiliary and restricted funds).
* How is the fringe benefit rate determined?
	+ MSU Denver charges a consolidated fringe benefit rate based on the employee group. The fringe benefit rate is calculated by dividing the total anticipated cost of benefits applicable to employees within a rate group by the total anticipated salary payments for that group. This rate represents the percentage that will be charged against the employee’s salary, and this amount will post to the same department FOAP to which the individual employee's salary posts.
* Who is charged the fringe benefit rate?
	+ A fringe rate is charged on all salary expenses for employees regardless of whether or not they accept the benefit, and regardless of which benefits options they elect. The rate is determined by the employee classification of the employee. The rates are charged to the department budget not to the employee.
* Why are salary supplemental payments charged a fringe rate?
	+ All salary payments are charged the fringe rate regardless of type, this includes salary supplemental payments. The University is obligated to pay FICA and retirement expenses on any payment for service. Also, the University uses the consolidated fringe rate structure in Banner. The system assess the fringe rate charge based on employee class versus payment type. This accounted for when the rates are set by including all salary payments in the calculation to determine the rate needed to cover the anticipated expenses.
* Why are part-time and hourly employee charged a fringe benefit rate?
	+ The University is obligated to pay PERA expenses and FICA for hourly and part-time employees.
* Why is my department required to pay an unemployment, workers compensation, and liability supplement insurance fringe rate?
	+ Budget is set aside at the institutional level to cover unemployment, workers compensation, and supplemental liability expenses for positions covered through fund 1000. All other funds (auxiliary and restricted) are charged a small additional percentage to cover their portion of these expenses. The University pays an annual rate for the workers compensation and liability supplemental insurance. The fringe rate charged to departments covers the portion of those expenses related specifically to positions covered from auxiliary and restricted funds. For unemployment, the fringe rate is charged to create a pool of funds to pay for these expenses when they occur. It would be a significant financial hardship for any department to pay the full unemployment expenses when they come due.