

Beginning in April 2018, a new object code was added to our financial system to record benefit expense related to the UC retirement system.

### **Object code 8690, UCRS Suppl Assess Interest**

#### What is this Assessment?

This assessment is related to advances made to UCRP from the UC Short-Term Investment Pool (STIP). The advances are made to close the funding gap between the employer & employee contributions to UCRP and the calculated required contribution, Annual Required Contribution (“ARC”). ARC is the amount needed to adequately fund a public pension plan. In order to repay the borrowings, all campuses are charged an assessment upon payroll.

#### Why do we need a new Object Code?

As the Federal Office of Management and Budget considers interest expense on borrowings for pension contribution an unallowable cost for federal fund sources, the interest portion of the repayments cannot be charged to federal funds. Therefore, beginning in April 2018, a second object code was added:

**Object code 8630, UCRS Suppl Assess Principal** – Assessment to pay down the borrowed principal, charged to all sources of covered payroll. This object code has been in use since 2013 to record assessment for principal repayment of the borrowings.

**Object code 8690, UCRS Suppl Assess Interest** – Assessment to pay down the interest, charged to non-federal sources of covered payroll. This new object code is used beginning in April 2018.

#### Fine-tuning the Interest Assessment

The interest assessment program needs to be fine-tuned. Federal flow-thru grants and some federal grants were assessed interest in error on the April 2018 ledger. We are working with our technical team to correct these flaws. Correcting journal entries will be posted to the May Ledger to move the interest assessment off the Federal funds.

#### Budget Impact – No increase in expense

Splitting off the interest portion of the assessment does not increase the overall cost of benefits to the campus. The combination of principal & interest assessment should be no higher than the principal assessment charged in previous periods. Be aware that the amount of assessment can vary month-to-month based on fluctuations in the underlying base payroll.

For funds whose employee benefits expense is funded centrally (funds 19900, 19906, 19912, 19924, 20000, 20095, 20293, and 69750), a budget allocation to cover the April UCRS Interest Assessment is being processed this week via the Transfer of Funds System, and will appear on the May general ledger.