

## **FAQ's – OSP Sick/Vacation Leave Pool Establishment**

**Issue/Concern:** During the COVID-19 pandemic it became clear that our current methodology of directly charging OSP funds for sick/vacation leave costs as they occurred could and, in some cases, did have a negative impact on OSP funds, resulting in essentially overtaxing and reducing available funding on these awards. The fringe benefits were essentially “earned” on previous awards but were charged to current awards. While our current direct charging is allowable under the federal rules, it makes managing OSP funding more difficult in terms of anticipating and managing personnel expenditures.

### **What is the Change?**

OSP will be transitioning to a pooled methodology to replace the current direct charge process for paying sick and vacation leave as it is used for most employees paid from OSP funds, effective sometime during Fall semester 2023 on all active awards.

### **Why is this Change Necessary?**

By eliminating the current methodology for direct charging grant funds for sick/vacation leave as it is used, PI's and Project Directors will be better able to manage their grant/contract expenditures as these fringe benefit costs will be more readily predictable as they occur and will result in a smoothing effect for these costs by spreading these expenses in a more proportionate manner.

### **When will this Change Become Effective?**

Testing by experts in UIT, FSS, and HR is nearly complete. It is anticipated that the pooled sick/vacation leave usage process will be put in place sometime in September or October, 2023.

### **How will my OSP Budget(s) be Impacted?**

After the initial increase to the estimated fringe benefit rate utilized when preparing budgets for proposal submission, the impact should be minimal since the percentage for MSU's fringe benefit calculation has always been performed annually based on actual fringe benefit costs for the previous fiscal year. PI's have been allowed to utilize the fringe benefit rate that most closely reflects what is experienced for their employees, providing flexibility to reflect actual fringe benefit costs more accurately.

### **Will this Change Include All OSP Funding Sources?**

Yes, all OSP funding sources (federal, state and private) will be included in this change.

### **Which Employee Class Codes will be Included?**

Since most employees are eligible for sick/vacation leave benefits, the majority of employees, including classified, contract, and faculty (including summer salary) will be included in this change. Excluded employee categories/payments are students, short term employees, graduate assistants, and additional compensation.

### **How will This New Methodology Work?**

A charge of 10% will be assessed against the gross salary paid (for most employees paid from OSP funds) with each payroll period. Those funds will then be deposited into the OSP sick/vacation leave pool for future use. When the employee actually takes either sick or vacation leave then the OSP sick/vacation leave pool is charged for these costs rather than the grant being charged directly. This is the same process that OSP is currently using to pay for the sick/vacation leave payout costs when an employee terminates from MSU. We will be using the same methodology to handle sick/vacation leave usage costs moving forward.

### **Is This Change Allowable Under Federal/State Regulations?**

The direct charge methodology that is currently being utilized is one of the two approved fringe benefit rate processes approved by the Federal government. The other approved methodology for charging fringe benefits is the pooled methodology that we are transitioning to. The Huron Consulting Group was hired in 2021 to assist MSU with both calculating the appropriate pooled fringe benefit rate for sick/vacation leave as well as providing guidance for implementation. Our rate of 10% is based on two years of actual data and analyzed by broad employee classes. If the percentage is too high or low it can be adjusted in the future to reflect any changes necessary to keep the sick/vacation leave pool appropriately funded.

### **Will This Change Make it More Difficult to Track Salary Expenditures Close to End Date of Award?**

It may take a bit more planning, but the long term benefits of being able to access the OSP sick/vacation leave pool will ultimately result in more effective grant management.

### **How Can Accounting Personnel Confirm that the Entire Pay is Correct for Each Individual if Part is Paid from the OSP Sick/Vacation Leave Pool?**

The UIT Enterprise Service Group is creating a new version of the Earnings Report that joins the original earnings and the NHRDIST records to assist with this and can be utilized in the pre-payroll audit review process. The specific report name will be communicated as soon as it is available. Accounting personnel will need to run a Payroll by GID Report for the individual to confirm that the entire amount has been paid to that person.

### **How Will Changes be Made to OSP Sick/Vacation Leave Pool when Payroll Corrections are Necessary?**

Corrections to the amounts charged for the OSP Sick/Vacation Leave Pool will be processed and will adjust to reflect changes to the grant/fund once the payroll correction has posted in the accounting system.

### **Will employees who are only eligible for sick leave still be charged the 10%?**

Yes, these employees can utilize the OSP sick/vacation leave pool if their salary is charged the 10% to participate in the OSP sick/vacation leave pool.

**Below is an Example of How This New Pooled Methodology Will Work:**

The breakdown under the current method for an employee on sick leave (~70%) and also paid regular pay (~30%) for pay periods 6/4/22 – 9/23/22:

Charged to the Grant (Current Direct Charge Methodology):

\$ 8,533.73 (Sick Pay)  
    3,826.04 (Regular Pay)  
\$12,359.77 (Total Pay)

\$ 3,932.72 (Sick Pay Benefits)  
    1,978.90 (Regular Pay Benefits)  
\$ 5,911.63 (Total Benefits)

\$19,507.38 (Total Direct Charges)  
    8,778.32 (F&A @ 45%)  
\$28,285.70 TOTAL

The breakdown under the new sick/vacation leave pool method for the same employee/time period and pay circumstances:

Charged to the Grant (New Pooled Methodology):

Salary (Regular Pay): \$3,826.04  
Benefits (Regular Pay): 1,978.90  
10% OSP Leave Pool: 1,235.98  
Direct Charges: \$7,040.92  
IDC's (45%): 3,168.41  
TOTAL: \$10,209.33

Charged to OSP Sick/Vacation Pool Instead of the Grant:

Salary (Sick Pay): \$ 8,533.73  
Benefits (Sick Pay): 3,932.72  
TOTAL \$12,466.46