

Duke University

DURHAM
NORTH CAROLINA
27708

FINANCIAL SERVICES
COST AND REIMBURSEMENT ACCOUNTING

BOX 104137
TELEPHONE (919) 684-5723
FACSIMILE (919) 684-8547

MEMORANDUM

To: Distribution

From: Jim Luther *James D Luther*

Date: July 15, 2009

Re: **Projected Fringe Benefit Rates for Use in Multi-year Grant Proposals and Planning**

On an annual basis, my staff prepares multi-year fringe rate projections and communicates these fringe rates to Management Centers and other staff for multi-year planning and grant proposals. Due to a unique number of circumstances related to the economic downturn, the initial projected rates for FY11 and FY12 (prepared in fall of 2008) have been revised. Following is a summary of the initial and revised fringe benefit rates for FY 11 and FY12.

Note: these are the federal rates; a summary of all projected rates are included as attachment 1.

	Initial Projection	Revised Projection	% Change
	FY 10/11	FY 10/11	Incr./(Decr.)
Faculty/Staff	21.9%	25.0%	3.1%
Bi-Weekly	20.9%	24.0%	3.1%

	Initial Projection	Revised Projection	% Change
	FY 11/12	FY 11/12	Incr./(Decr.)
Faculty/Staff	21.7%	26.0%	4.3%
Bi-Weekly	21.3%	25.0%	3.7%

The changes in these projections are caused by a number of complex factors. The primary factors are: increased health care costs due to price and volume, ERP funding requirements due to declining market value of plan assets and limited funding contributions over the past several years, significantly reduced wage base due to strenuous economic conditions, and other components such as unfavorable carry-forwards and unemployment expense which are anticipated higher than original projections. My staff worked with Human Resources to develop best case, worst case, and most likely scenarios to calculate these revised fringe rates. The revised rates shown above are a result of the most likely scenario calculation.

These updated projections are preliminary and will be revised during the upcoming forecast process in September and October. Senior leadership has directed a joint Finance and HR team to conduct analysis and consider options to reduce the magnitude of these increases. However, you are advised to use these updated projections for initial planning purposes as they are our best estimates at this time.

Please view the attached detail for all fringe rates and the revised projections.

Attachment 1: Detail for all fringe rates:

	Initial Projection	Revised Projection	% Change
	FY 10/11	FY 10/11	Incr./(Decr.)
Faculty/Staff Non-Federal	23.5%	27.0%	3.5%
Faculty/Staff Federal	21.9%	25.0%	3.1%
Bi-Weekly Non-Federal	21.5%	25.0%	3.5%
Bi-Weekly Federal	20.9%	24.0%	3.1%
House Staff	16.9%	18.1%	1.2%
Students	7.7%	7.7%	0.0%
PhD	7.1%	6.4%	-0.7%

	Initial Projection	Revised Projection	% Change
	FY 11/12	FY 11/12	Incr./(Decr.)
Faculty/Staff Non-Federal	23.2%	28.0%	4.8%
Faculty/Staff Federal	21.7%	26.0%	4.3%
Bi-Weekly Non-Federal	22.1%	26.0%	3.9%
Bi-Weekly Federal	21.3%	25.0%	3.7%
House Staff	17.5%	18.7%	1.2%
Students	7.7%	7.7%	0.0%
PhD	7.8%	7.7%	-0.1%

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