UNIVERSITY
OF
CALIFORNIA

Facts about UC's New 2016 Retirement Benefits Under Development

UC is developing new retirement benefits for future employees as a result of the 2015 budget agreement with state leaders. Under the agreement, Gov. Brown and the Legislature will provide UC $436 million over several years to help pay down UC's unfunded pension liability in exchange for UC implementing a cap on the defined benefit (pension) portion of UC's retirement benefits, mirroring the cap on pension benefits for state employees under the 2013 California Public Employees' Pension Reform Act (PEPRA). This approach will help ensure the long-term financial stability of UC and its retirement program.

The process: Community Feedback, President's Proposal, Regents Presentation
Last summer, President Napolitano convened a task force to recommend options for retirement benefits that include the PEPRA cap. The task force has completed its work and has presented her with its recommendations, as part of a multi-step process. President Napolitano will now ask the UC community for feedback on the recommendations. The Academic Senate will formally review the recommendations and provide feedback to the president. In addition, two online webinars with senior UC officials will be held in February to explain the recommendations to and solicit questions and/or comments from interested employees. Faculty and staff also are invited to submit comments through a dedicated website (http://ucal.us/2016retirement). The president will use the community feedback to help inform the proposal she is expected to bring to the UC Board of Regents in March.

Key priorities for UC in designing a new set of retirement benefits include:
- Ensuring UC's long-term financial stability that, among other things, maintains the financial stability of the UC Retirement Plan (UCRP) for current and future employees and allows for regular salary/merit increases for faculty and staff;
- Maintaining the competitiveness of overall compensation for UC faculty and staff;
- Facilitating appropriate levels of shared responsibility between UC and employees for individual retirement readiness, and providing programs that help employees prepare for retirement.

The new retirement benefits changes will not affect current employees
- The new benefits will apply *only to future employees* hired on or after July 1, 2016.
- There will be no changes to the pension benefits of current employees or retirees — accrued pension benefits are protected by law and cannot be reduced or revoked.
- Retirement benefits for union-represented employees are determined through the collective bargaining process. The state's agreement to provide $436 million for UC's pension plan is contingent upon UC having the PEPRA cap for future hires, including union-represented employees.

Task Force Recommendations Developed by Faculty, Staff, Labor, Administration
Task force members included faculty, staff, and representatives from the Academic Senate, the Staff Advisors to the Regents, the Council of UC Staff Assemblies (CUCSA), UC labor unions, and UC administrators. Additionally, President Napolitano asked task force members to discuss possible options with colleagues and constituent groups throughout the university, and to use feedback from those discussions to inform their deliberations.

Timeline
Jan. 15 – Feb. 15: Academic Senate reviews recommendations and submits comments to president
Jan. 15 – Feb. 15: Faculty, staff and others submit feedback on recommendations
Feb. 1 and 10: Webinar discussions with UC community about the recommendations
Mar. 23 – 24: President Napolitano expected to bring a proposal to the regents for a vote
July 1: New benefits options take effect

-- continued on reverse side --

UNIVERSITY
OF
CALIFORNIA

Task Force Recommendations

After considering a range of options, which are described in the task force report, the task force has recommended that future UC employees be offered a choice between two retirement benefit options:

Option A -- Hybrid Approach: A new UC Retirement Plan defined benefit (DB) plan capped at the PEPRA salary limit (currently $117,020) plus a new supplemental defined contribution benefit ("DC Supplement Plan") with eligible employee pay up to the Internal Revenue Code limit ($265,000);

Option B -- Pure Defined Contribution Approach: A new stand-alone defined contribution (DC) plan with benefits-eligible employee pay up to the Internal Revenue Code limit, currently $265,000.

Task Force Recommended 2016 UC Retirement Benefits

Option A		**Option B**
UCRP DB Plan with PEPRA cap Applies to eligible pay up to $117k	**or**	Defined Contribution Plan Applies to eligible pay up to $265k
+		
Defined Contribution Supplement Applies to eligible pay above $117k up to $265k		

The chart below summarizes the recommended features of the two task force options

	Option A: **UCRP DB with PEPRA Cap + DC Supplemental Plan**	**Option B:** **DC Plan**
Eligibility	Eligible employees hired into career appointments or who attain career status on/after July 1, 2016.	
Eligible employee pay limits	Eligible pay up to the PEPRA cap (currently $117k) would be covered by the UCRP 2016 Tier; eligible pay above the PEPRA cap up to the IRC limit (currently $265k) would be covered by the DC Supplement.	Eligible pay up to the IRS limit (currently $265k).
Employee contributions (pre-tax)	7%	7%
UC contributions	1) 14% up to PEPRA cap (includes approx. 6% contribution to UCRP unfunded liability) + 2) 10% on amount above PEPRA cap	14% up to the IRS limit (includes 4% contribution to UCRP unfunded liability)
Vesting	5 years UCRP service credit	1 calendar year from eligibility date
Choice/Default	Eligible employees would choose either option within an initial enrollment period. Employees who do not make a choice would be enrolled in Option A by default. Subject to IRS approval, employees who initially choose Option B would, after five years, have a one-time opportunity to switch to Option A.	

More at http://ucal.us/2016retirement

-- Task force report
-- Frequently Asked Questions
-- Comment on task force recommendations
-- Background on 2015 budget agreement