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Facts about UC's 2016 Retirement Program

At its March 2016 meeting, the UC Board of Regents approved a new retirement program for future UC employees, as part of a broader effort to maintain the university's excellence and sustain its long-term financial health. The new program, which is consistent with the 2015 budget agreement with the state, will bolster the long-term financial stability of UC and its retirement program, while providing critical funding for many university priorities through savings generated by the plan and through additional funds UC will receive from the state.

Under the 2015 budget agreement, UC is receiving nearly $1 billion in new annual revenue and one-time funding over several years. To sustain the financial stability of the university and its retirement system, and consistent with the 2015 budget agreement with the state that was approved by the regents, the new retirement program includes a cap on pensionable earnings for UC employees hired on or after July 1, 2016 that mirrors the limit on pensionable pay for state employees under the 2013 California Public Employees' Pension Reform Act (PEPRA).

Support for university priorities

Priorities supported by the new plan include:

- Reducing the cost of UC's retirement program while maintaining the caliber of personnel and UC's excellence; the new program will generate average savings of $99 million a year over the next 15 years.
- Ensuring UC's long-term financial stability, including that of the UC pension plan by, among other things, channeling more than half the savings from the new program toward UC's unfunded pension liability.
- Focusing on overall employee compensation by (1) allowing UC to budget for regular pay increases for faculty and staff, and (2) making merit-based pay a regular component of systemwide salary programs to reward employees based on performance.
- Helping to preserve UC's quality by devoting resources to assist campuses in attracting and retaining faculty and staff, and improve the student experience.
- Offering enhanced retirement counseling and education for all employees, including new hires, as part of UC's commitment to helping employees successfully plan for retirement.

The new retirement benefits changes will not affect current employees

- The new retirement benefits 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. Under the 2015 budget agreement, the additional $436 million UC will receive from the state for UC's pension plan is dependent on UC having the PEPRA cap on pensionable earnings for future hires, including union-represented employees.

Key information related to UC's new retirement program

- Many universities and private employers don't offer pension benefits and offer only 401(k)-style plans.
- Based on current employee data, the vast majority (79%) of UC employees earn less than $117,020, which means if the PEPRA cap were in effect at UC today, most employees would be unaffected by it.
- UC's independent actuary has confirmed that as long as UC continues to make contributions to its unfunded pension liability, allowing future employees to elect a 401(k)-style plan would not jeopardize the pension fund's ability to pay pension benefits.

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2016 Retirement Program

The new retirement program offers future UC employees hired on or after July 1, 2016 a choice between two retirement benefits options:

Option 1 – Pension + 401(k)-style supplemental benefit: The current UC pension benefit capped at the PEPRA salary limit (currently $117,020) plus a supplemental 401(k)-style benefit for eligible employee pay up to the Internal Revenue Service limit (currently $265,000); or

Option 2 – New 401(k)-style benefit: A new stand-alone 401(k)-style option with benefits-eligible employee pay up to the Internal Revenue Service limit (currently $265,000).

	Option 1: **Pension with PEPRA cap +** **401(k)-style supplement**	**Option 2:** **401(k)-style stand-alone benefit**
Description	Pension benefit with PEPRA cap; applies to eligible pay up to $117k + 401(k)-style supplement; applies to eligible pay above $117k up to $265k (applies to all eligible pay up to $265k for faculty)	401(k)-style benefit Applies to eligible pay up to $265k
Eligibility	Eligible employees hired into career appointments or who attain career status on or after July 1, 2016	
Employee contributions	7% up to $265k	7% up to $265k
UC contributions	Pension benefit for all employees: 8% **up to** PEPRA cap Supplement for eligible faculty: 5% on **all** pay up to $265k Supplement for staff and other academics: 3% on pay **above** PEPRA cap up to $265k Unfunded pension liability: 6%	8% for all employees up to $265k + 6% for unfunded pension liability
Vesting	5 years UC pension service credit	1 calendar year from eligibility date
Choice / Default	Initial choice: Eligible employees choose one option within an initial 90-day enrollment period.	
	Default: Employees who do not make a choice within the initial 90-day enrollment period would be enrolled in Option 1 by default.	
	Second choice: Subject to IRS approval, employees who initially choose Option 2 may have a one-time opportunity to switch to Option 1 after a period of time equivalent to the longer of: a) five (5) years after date of hire; or b) for ladder-rank faculty, one year after the tenure decision; for lecturers or senior lecturers one year after the decision on security of employment; and for eligible Unit 18 non-Senate faculty as per their collective bargaining agreement.	

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

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