

UNIVERSITY OF CALIFORNIA, IRVINE



DIVISIONAL SENATE ASSEMBLY

Proposed changes to UC retirement benefits

3:30-5pm, January 28, 2016

Humanities Gateway 1030

Context

- Stewardship role
- Part of Budget Framework Initiative
- PEPRA Cap
- Excellence vs. Access

Total Remuneration & Competitiveness

In developing these recommendations and designing new retirement benefits plans, the Task Force sought to balance multiple goals that were not always fully compatible: ***to remain as competitive as possible in the context of total remuneration***, support the recruitment of quality employees, maintain UCRP's current financial stability, and align with the new lower limit on pensionable pay. (p.10)

In summary, the Task Force concluded that none of the DC plans considered provided a benefit comparable to the UCRP 2013 Tier at a comparable cost. (p.52)

Task Force Recommendations

Eligibility

Employees who are hired or rehired into a career appointment on/after July 1, 2016.

Choice/Default

Newly eligible employees may chose A or B. The default is A. At the end of 5 years, UC will provide a new choice opportunity for those that chose Plan B to switch to Plan A.

Vesting

Plan A: 5 years UCRP service credit

Plan B: 1 calendar year from eligibility date

Task Force Recommendations

PLAN A

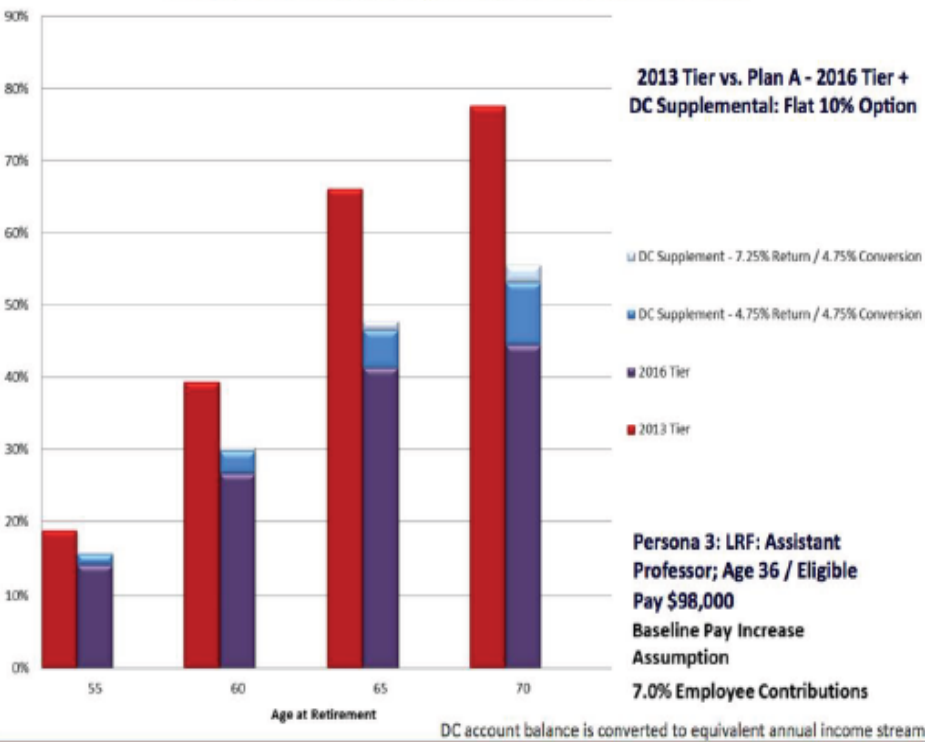
- Eligible pay up to CCL limit each year (\$117,020 in 2016)
- Eligible pay above CCL and up to IRC limit (\$265,000 in 2016) covered by DC Supplemental plan
- DBP identical to current DBP (except for CCL limit)
- 7% mandatory employee contribution up to the IRC limit
- 14% employer contribution up to the CCL and 10% after up to IRC limit

PLAN B

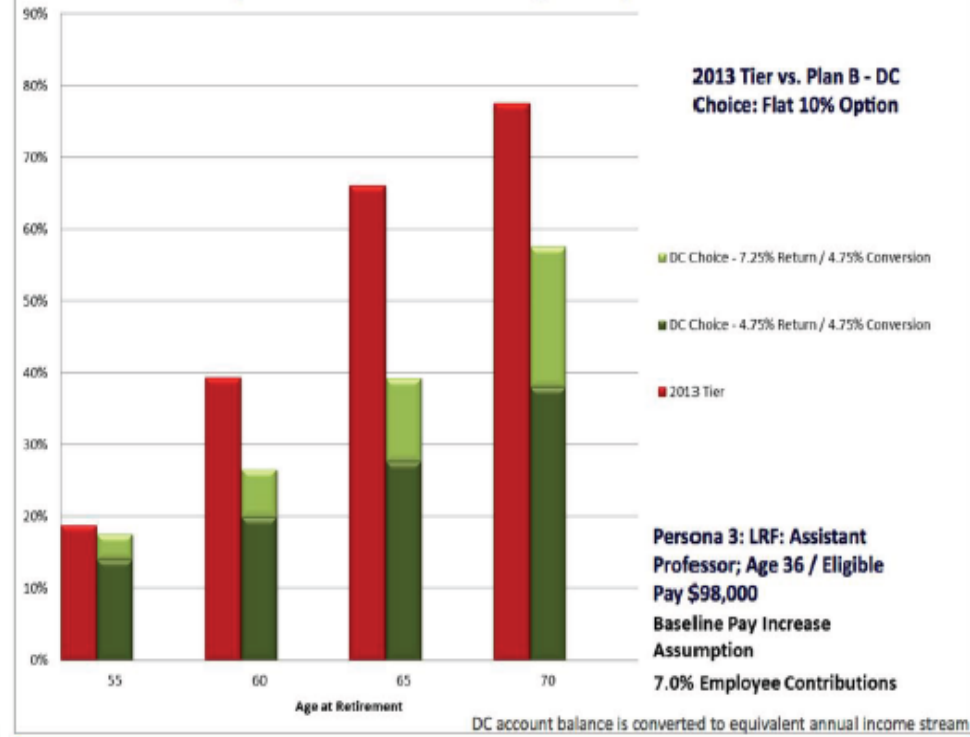
- Eligible pay up to IRS limit (\$265,000 in 2016)
- Do not participate in DBP
- DC benefits based on contributions to DC plan + earnings
- 7% mandatory employee contribution up to IRC limit
- 10% employer contribution up to the IRC limit
- 4% contribution to unfunded actuarial accrued liability (UAAL) up to IRC limit

Some problems

Projected Pension as a % of Eligible Pay at Retirement



Projected Pension as a % of Eligible Pay at Retirement



Decline of benefits for new hires
Decline in competitiveness?

Council on Faculty Welfare Report

1. Deep concerns over shared governance and Process in General. Recommendation for extra time.
2. Need commitment of the governor and the legislature for continued funding.
3. UAAL resolution not contingent upon adoption. (would resolve anyway)
4. Window of transfer from Plan B to Plan A.
5. Would Plan B health benefits continue into retirement?
6. Retention issues
7. What to do with the cost savings? (if any)

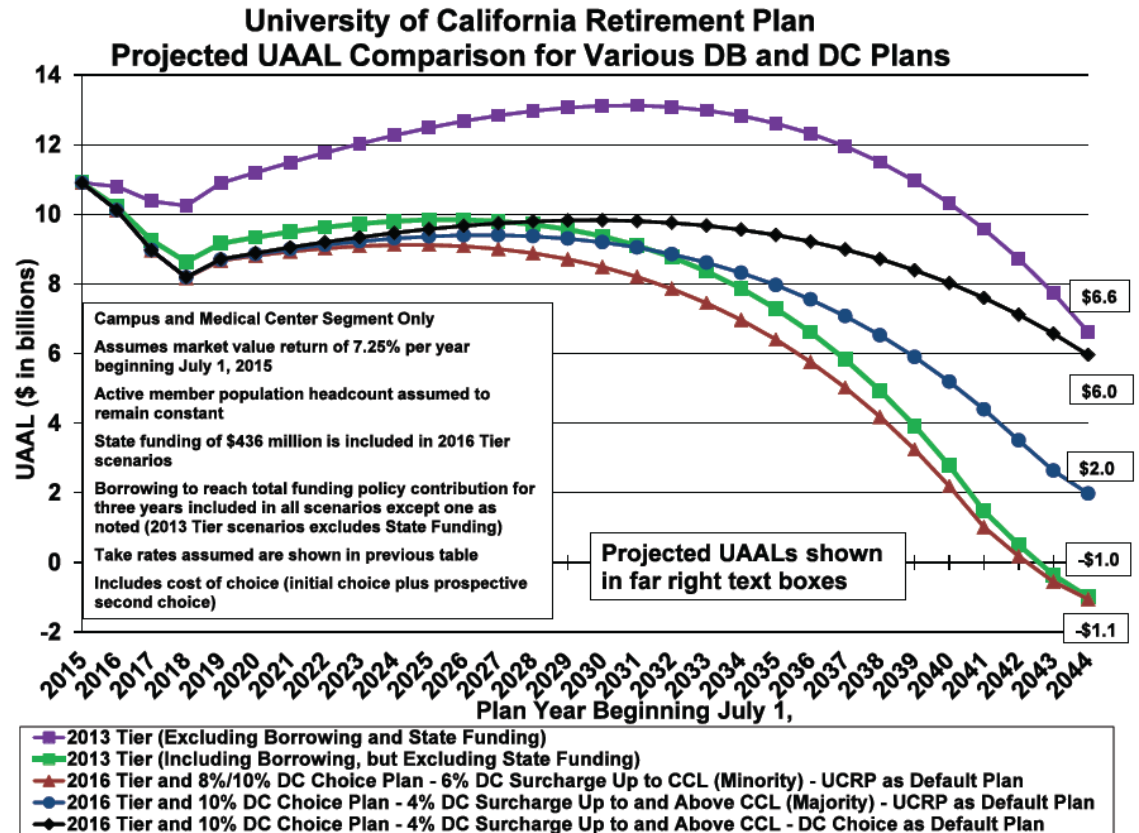
Council on Faculty Welfare Report

Do these changes really need to be implemented?

The state funding is \$436 million; the UAAL is \$8 to \$10 billion

Without state funding the UAAL goes to 0 in 2043

The proposed changes would substantially complicate our retirement system and our ability to understand if we are compensate fairly.



Council on Planning & Budget Report

1. Real savings of the PEPRA Cap.
2. Impact on Total Remuneration.
3. Competitiveness as it relates to different populations within the UC; impact on time to retirement.
4. Leadership and the perception of a downward trend.
5. Would Plan B health benefits continue into retirement?
6. Window of transfer from Plan B to Plan A.
7. Savings and UAAL.

Further Recommendations

1. 14% employer contributions flat for both plans – No incentivizing cost savings.
2. Default should be to the employee's benefit.
3. Additional “retirement readiness” supplement added to the supplemental DC plan at the time of hire.
4. Future negotiation about the application of the PEPRA Cap across the spectrum of UC employees.