UNIVERSITY of CALIFORNIA

THE FACTS:
PROPOSED CHANGES TO UC RETIREMENT BENEFITS

PRESIDENT MARK G. YUDOF'S PROPOSED CHANGES TO UC RETIREMENT BENEFITS

The University of California faces a $21 billion unfunded liability for its retiree health and pension programs. President Mark G. Yudof has proposed several measures to put UC's retirement programs on solid financial footing, while still ensuring attractive post-employment benefits. His recommendations were informed by an extensive consultation process with members of the UC community and have support from the chair and vice-chair of the Academic Senate, UC's staff advisors to the Regents, and the leadership of the Council of UC Staff Assemblies. The UC Board of Regents will discuss the President's proposals in November. No action will be taken, however, until a special meeting in December. Changes for represented employees are subject to collective bargaining.

SUMMARY OF KEY RECOMMENDATIONS

Retiree Health Recommendations

- Reduce UC's contribution to retiree health care premiums over time to a floor of 70 percent; UC currently contributes, on average, about 89 percent of retiree health care premiums.
- Change eligibility rules for retiree health care benefits, effective July 1, 2013. The university would provide contributions to retiree health care premiums on a graduated scale based on employee age at retirement and years of UC Retirement Plan service credit. Eligibility for UC contributions would begin at age 56 with 10 years of service credit, with the maximum contribution available to employees who retire at age 65 with 20 years of service credit.
- Allow faculty and staff to remain under the current retiree health care eligibility rules if, on June 30, 2013, they have five years of UCRP service credit and their age and years of UCRP service credit together equal 50 or greater.

A new category ("tier") of pension benefits for future employees

- Offer a modified pension program to faculty and staff who join UC on or after July 1, 2013.
- The new pension "tier" would raise the minimum retirement age from 50 to 55 and the retirement age for maximum pension benefits from 60 to 65.
- The new pension tier would also eliminate the lump sum cashout and subsidized survivor benefits.
- The total annual cost to UCRP for the new pension tier would be less than the current pension program, and contributions from UC and pension plan members would cover the cost. UC would contribute 8.1 percent and employees would pay 7 percent.
- Most other aspects of the pension program would mirror the current UCRP.

Financing for the UC Retirement Plan

- Increase employer and employee contributions to the UCRP in each of the next two years. Regents acted on this recommendation in September, voting to increase UC's contribution to 10 percent and employee contributions to 5 percent in July 2012.
- Increase UC's contribution to the UCRP by an additional 2 percent per year, beginning in 2013, until it reaches a level of 20 percent of annual payroll.
- Fund a portion of UCRP's annual required contribution with a variety of resources, including restructuring UC's debt and borrowing at low-interest rates from UC's pool of short-term investment funds.
- Work to secure agreement from the State of California to resume paying its share of contributions to the UCRP.