UCRS Advisory Board

Meeting of November 10, 2011

AGENDA ITEM K

Proposed Defined Contribution Plan Option for Clinical Enterprise New Hires - Feasibility Study

As reported at the June 24, 2011 UCRS Advisory Board meeting, the President's Post-Employment Benefits Task Force, at the request of clinical enterprise leadership, recommended a study of the feasibility of offering policy-covered new hires in the clinical enterprise a choice of either UCRP, a defined benefit plan, or a defined contribution plan (DC plan). There are reports of recruitment issues involving some potential new hires who may find a DC plan more attractive because they do not plan on working at UC for the five-year UCRP vesting period. Since market studies show a DC plan to be the norm for the clinical enterprise comparator groups, a review is being undertaken to determine if offering a DC plan option will assist the clinical enterprise in recruiting, and potentially retaining, talent.

The total employer cost would be the same with any new hire choice, as the clinical enterprise will need to recognize their appropriate share of the existing unfunded UCRP liability and will be charged a payroll assessment for the amount to be amortized each year. The ability of the clinical enterprise to fund a market-competitive DC plan, in addition to paying for their share of the UCRP unfunded liability, will be part of the analysis.

Project Scope

The DC plan feasibility study consists of the following major components:

- documenting the clinical enterprise recruitment issues for specific workforce segments
- developing a best-practice and a market competitive DC plan design
- consideration of potential implementation and communication issues

The UC team working on this project consists of human resources staff from UCOP and the clinical enterprise with assistance from Aon Hewitt consultants. There has been consultation with the Chief Executive Officers from the five medical centers. The CEOs recommend offering the DC plan choice on a broad basis, including faculty as well as employees in the health science departments of the medical schools. They favor a plan design that would require employees to contribute in order to receive matching employer contributions.