UCRS Advisory Board

Meeting of June 19, 2015

AGENDA ITEM A

UCRS – Agreement with the Governor for Funding to Address UCRP's Unfunded Liability

Executive Director Schlimgen will summarize the proposed provision contained in the recent agreement reached between President Napolitano and Governor Brown for state funding to address a portion of the actuarial accrued unfunded liability (UAAL) of the University of California Retirement Plan's (UCRP or Plan).

Following months of budget discussions concerning the appropriate level of funding to be allocated to the University, President Napolitano and Governor Brown recently agreed upon a framework that is designed to provide fiscal stability for UC in addition to increasing UC operational efficiencies and temporarily freezing UC resident student tuition. A key feature of the agreement, subject to both the approval of the Regents and the State Legislature, is the allocation of $436 million specifically earmarked to address a portion of UCRP's UAAL. As proposed, the funding will be provided from the Proposition 2 debt funds and would be provided to UC over a three-year period, beginning with $96 million for the 2015-16 fiscal year.

As noted in the attached Regents item, the University has agreed to bring to the Regents by July 1, 2016 a new pension tier which would provide, at the employee's election, either a defined benefit plan that caps the amount of salary used to calculate benefits at a level consistent with the State's 2012 pension reform law (currently $117,020) plus a supplemental defined contribution (DC) plan for certain employees, or an optional fully DC plan. The specific terms of new plans will be developed in consultation with UC faculty and staff. The restructured pension plan, the final form of which will be subject to Regental approval, will not apply to current employees. For represented employees, it will be subject to collective bargaining.

At their meeting of May 21, 2015, the Regents approved the framework for long-term funding agreed upon by the President and the Governor. A copy of the May 21, 2015 Regents item is attached for reference.

Attachment