UCRS Advisory Board

Meeting of October 19, 2015

AGENDA ITEM A

UCRS – Update on Progress of 2016 Retirement Options Task Force

As discussed at the June UCRS Advisory Board (Board) meeting, a budget agreement was reached with the state that includes $436 million to pay down the unfunded liability in the University's pension plan, the University of California Retirement Plan (UCRP or Plan). In return for such state funding, the University must implement a new UCRP tier for employees hired on or after July 1, 2016 which aligns UCRP's pensionable pay similarly to state employees subject to the California Public Employees' Pension Reform Act (PEPRA). President Napolitano has convened a Task Force to explore the design of the new pension tier along with other potential options, such as a supplemental defined contribution plan for new employees who may be impacted by the lower pensionable pay cap and a defined contribution plan which new employees could elect as an alternative to participating in UCRP.

Based on an initial assumption that the new UCRP should be a replication of the UCRP 2013 tier with the exception of the lower pensionable pay cap, the 2016 Retirement Benefits Advisory Task Force (Task Force) has worked with the Plan's Consulting Actuary and outside consultants to model potential designs, impacts, and costs of a supplemental benefit for those future employees subject to the cap on pensionable pay. The discussion has included the Office of the Chief Financial Officer guidelines of the available monies that can be spent on a supplemental benefit, eligibility for the benefit (e.g. faculty only or all members above the cap), and an additional assessment on pay above the cap for the UCRP unfunded actuarial accrued liability (UAAL).

The Task Force has been informed by additional retirement-related presentations and has begun exploring the potential designs, impacts, and costs of a defined contribution plan alternative to UCRP for new hires. A guiding principle of the Task Force is that any alternative retirement benefit arrangement will include an assessment to continue to pay down UCRP's UAAL.

Attachment