# University of California

# Overview of Modified 2013 Tier for CNA and UPTE

UCRS Advisory Board
February 28, 2014

**University of California**

Human Resources

# 2013 Tier
## An Overview

- 2013 Tier approved by Regents in December 2010, with technical amendments approved in May 2012
- Effective for new hires, new UCRP members or rehires after a break in service on or after July 1, 2013
  - Not applicable to Safety members
- Implementation subject to collective bargaining for represented employees
  - Agreements or waivers with CUE, AFT and most local units
  - Implemented for AFSCME (EX, SX), but negotiations ongoing
  - CNA (NX) and three UPTE units (HX, RX, TX) agreed to a modified 2013 Tier

# Modified 2013 Tier
## An Overview

- Bargaining agreements are for four years
  - Ratification dates
    - NX: 11/26/2013
    - UPTE units: all on 12/20/2013

| Bargaining Unit(s) | UCRP Members July 2013 |
|---|---|
| HX - Residual Health Care Professionals (UPTE) | 2,845 |
| NX - Registered Nurses (CNA) | 10,142 |
| RX / TX - Research Support Professionals / Technical (UPTE) | 4,194 / 2,671 |

- Agreed to all 2013 Tier benefit provisions, except that:
  - Retirement ages and age factors remain the same as 1976 Tier
  - Lump Sum Cashout remains available for 2013 Tier benefit (same as for 1976 Tier Benefit)

# Contribution Rates & Timing

- Employer contributions are consistent across all tiers
  - 12% of covered payroll as of 7/1/2013
  - 14% of covered payroll as of 7/1/2014
  - TBD in future years

- Member Contributions for 2013 Tier:
  - NX: 7.0% of pay through January 2014,
    8.0% of pay February 2014 through June 2014, and
    9.0% of pay beginning July 2014
  - HX, RX/TX: 7.0% of pay through the pay period ending prior to July 1, 2014, and
    9.0% of pay beginning with the pay period including July 1, 2014
  - All others: 7.0% of pay beginning July 2014

# Contribution Rates & Timing

- Member Contributions for 1976 Tier (all rates less $19/mo):
  - NX: 5.0% of pay through January 2014,
    8.0%[1] of pay February 2014 through June 2014, and
    9.0% of pay beginning July 2014
  - HX, RX/TX:

    HX: 3.5% of pay through the pay period ending prior to March 1, 2014,
    RX/TX: 5.0% of pay through the pay period ending prior to March 1, 2014,
    HX, RX/TX: 8.6%[2] of pay beginning with the pay period including March 1, 2014 through the pay period ending prior to July 1, 2014, and
    9.0% of pay beginning with the pay period including July 1, 2014
  - All others: 6.5% of pay through June 2014, and
    8.0% of pay beginning July 2014

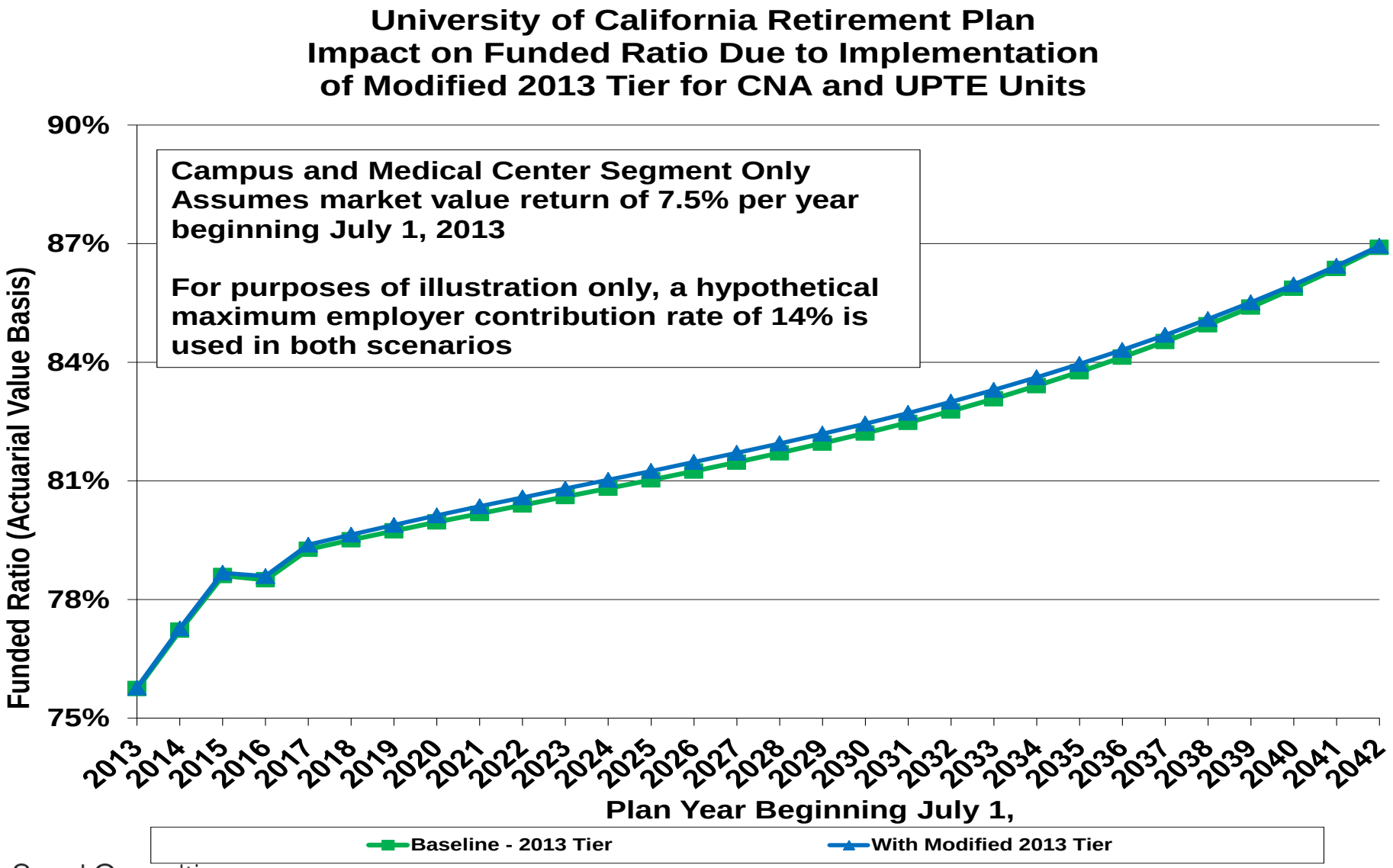
[1] Represents a recoupment of six months of 1.5% of pay from July 2013 through December 2013.

[2] Represents a recoupment of seven months of 1.5% of pay from July 2013 through January 2013.

# Modified 2013 Tier
# Projected Financial Impact on UCRP

- Compared to a baseline scenario in which:
  - All unions adopted the same 2013 Tier provisions as the non-represented employees
  - Without additional EE contributions by all CNA and UPTE members
- Under modified 2013 Tier, UCRP funded ratio expected to be:
  - Slightly improved during the next 30 years
  - Virtually the same after 30 years
- Illustration on next slide
  - Hypothetical maximum 14% employer contribution rate was used for illustration purposes only
    - Keeps the employer contributions unchanged as much as possible for both scenarios

# Modified 2013 Tier
# Projected Financial Impact on UCRP



# APPENDIX

# Assumptions and Methods Used in Projections

- Unless otherwise noted, the projections were made using generally accepted actuarial practices and are based on the July 1, 2013 actuarial valuation results, including the participant data and actuarial assumptions on which that valuation was based. Here is a summary of some of the important assumptions used in the projection.
  - 7.50% market value return per year starting July 1, 2013
  - Reflects 2013 Tier starting July 1, 2013 (along with later retirement rate assumptions for members in this tier)
  - Member and employer contribution rates are as described earlier
  - Active member population headcount has been assumed to remain constant in all future years
  - Demographics for future new entrants are assumed to be the same as those for members hired during the two years prior to July 1, 2013

# Other Information

- Projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.
- All calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary who is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.