UCRS Advisory Board

Meeting of November 16, 2015

AGENDA ITEM C

UCRS – Update on Progress of the 2016 Retirement Options Task Force

As discussed at the June and October 2015 UCRS Advisory Board (Board) meetings, the 2015-2016 California State budget recently approved by the Legislature and signed by the Governor includes the principal elements of a funding framework that the University negotiated with the Governor and which was incorporated into the Governor's May 2015 Revision. Under the agreement with the Governor, the University will receive $436 million in one-time funds over the next three years in Proposition 2 debt repayment funds for UCRP, including $96 million in 2015-2016 and $170 million in each of 2016-2017 and 2017-2018. As specified in the State Constitution, Proposition 2 funds must be supplemental, above Regentally-approved contribution rates, and must be used to help pay down the unfunded liability associated with UCRP. This funding is contingent upon implementation of the State's Public Employee Pension Reform Act's pensionable salary cap effective for new hires on or after July 1, 2016. The President of the University has convened the 2016 Retirement Options Task Force (Task Force) that will make recommendations to her on potential designs of new retirement options that implement the pensionable salary cap.

The new UCRP tier is anticipated to replicate the UCRP 2013 Tier with the exception of the lower pensionable pay cap. The Task Force has worked with Segal and other 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 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 is that any alternative retirement benefit arrangement will include an assessment to continue to pay down UCRP's UAAL.

The President of the University will bring her recommendations to the Regents early next year for review and approval. The UCRP pensionable pay cap now in place is that defined in Internal Revenue Code section 401(a)(17), currently $265,000 per year for most members. For employees who become UCRP members on or after July 1, 2016, UCRP pensionable salaries would be capped at the PEPRA limit in effect for 2016-2017 (currently $117,020 for 2015-2016 for members with Social Security, indexed annually with inflation). These changes will only affect new employees who become members on or after July 1, 2016 after the new options are implemented. For represented groups, retirement options will be subject to collective bargaining.