Program Design Elements

Retirement Programs & Services

6.17.16

Summary

2016 Retirement Choice Program, effective 7/1/16

- New limit on UCRP “pensionable earnings”
- Choice of primary retirement program: two options -
  1. **Pension Choice**: UCRP 2016 Tier (with Defined Contribution (DC) Supplemental, as applicable)
  2. **Savings Choice**: DC Plan

- **Variation in retirement benefits and options**
  - Differ depending upon position, hire date, rehire date

Important Notes

No impact to current eligible faculty / staff and retirees

- accrued benefits are not affected

2016 Retirement Choice Program subject to collective bargaining for represented employees

- several collective bargaining units are included in 2016 Retirement Choice program, effective 7/1/16, based on current contract language

Pensionable earnings (“PEPRA maximum”)

PEPRA = Public Employees' Pension Reform Act (1/1/13)

UC not actually subject to PEPRA, but agreed to the same pension earnings maximum for new employees hired on / after 7/1/16

- PEPRA maximum on UCRP “pensionable earnings”
  - Maximum eligible pay used to determine UCRP benefits
    - $117,020 for 2016
  - Subject to annual adjustment (CPI)
  - Other than the PEPRA maximum, no change to UCRP ‘eligible pay’ (i.e., covered compensation)
    - still excludes “Y” and “Z” comp

Eligibility

Eligible Employee for full retirement benefits - same as current, “UCRP-eligible”

- Eligible appointment - 50% time for a year or more, or
- Safe Harbor employee becomes Eligible Employee after accruing sufficient hours of employment in 12-month rolling period

2016 Retirement Choice Program applies to:

- Eligible Employee initially hired on / after 7/1/16
- Eligible Employee rehired* on / after 7/1/16 (after ‘tier’ break in service)
- Existing or new Safe Harbor employee who becomes an Eligible Employee on/after 7/1/16

* Note: if rehired EE was a UCRP member prior to 7/1/94, choice is not offered; EE would become UCRP 2016 Tier member

90-Day Choice Window

EE has 90 days to choose: window starts on date EE is eligible (generally the hire date[1])

Choice online through retirement benefits 'portal' (myUCretirement.com/choose)

- Election window closes once EE chooses: EE cannot go back in to change
- If election not made within 90-day window, irrevocable default to Pension Choice
- For those who select Savings Choice: possible second choice several years down the road
  - dependent on IRS Private Letter Ruling
  - may elect Pension Choice *prospectively*

[1] Later of: hire/rehire date or date Elig EE entered into payroll system
Safe Harbor who becomes eligible by meeting hours requirement: begins first of month following

Plan Design – Main Groups

New Hires – Subject to PEPRA maximum

- Academic Appointees a.k.a. “Faculty”
- “Staff / Other Academic Appointees” (or “Staff/Other”)

Rehires and Newly Eligible – Not subject to PEPRA maximum

- rehired former UCRP members (UCRP entry prior to 7/1/16)
  - *rehired after ‘tier’ break in service*[1]
- Safe Harbor employees (hired before 7/1/16) who:
  - are hired or rehired in an eligible appointment
  - become newly eligible by completing hours requirement
- certain CalPERS “Classic” members eligible for reciprocity with UCRP (employees to self-certify)

[1] Generally, a separation of 1-2 months prevents a UCRP tier switch for a rehired UCRP member

Academic Appointees and 'Staff / Other Academic Appointees '

Academic Appointees (hereinafter referred to as "Faculty")

- Faculty defined per Regents item: Attachment 2
  - Currently includes IX[1] and LX[2] per terms of collective bargaining agreements (if an Eligible Employee)

All others referred to as "Staff/Other Academic Appointees" (or "Staff/Other")

[1] IX Unit - Non-Senate faculty (NSF) employees covered under Unit 18

[2] LX Unit: Librarians covered by the Professional Librarians Unit

Academic Appointee definition for Retirement Choice Program

Regents Item, Attachment 2

http://regents.universityofcalifornia.edu/regmeet/mar16/f1attach2.pdf

ACADEMIC APPOINTEES[1] ELIGIBLE FOR 2016 RETIREMENT OPTIONS DC SUPPLEMENTAL BENEFIT

Title
Ladder-rank faculty and equivalent titles (Professorial and Equivalent titles, which include Agronomists, Astronomers, Clinical Professor of Dentistry [over 50%] and Supervisor of Physical Ed)
Professor In Residence series
Professor of Clinical X series
Acting full, associate, and assistant professors
Lecturers/Senior Lecturers with Security of Employment or Potential Security of Employment (full time)
Adjunct Professor series
Health Science Clinical Professors series

[1] Due to specific provisions within their collective bargaining agreements, librarians covered by the Professional Librarians Unit (LX Unit) and Non-Senate faculty (NSF) employees covered under Unit 18 (also known as the IX Unit) are also included, provided their appointments make them eligible for UCRP coverage.

Faculty New Hires – Option 1: Pension Choice includes UCRP + DC Supplemental

Pension Choice: UCRP component

- UCRP eligible pay limited to PEPRA max ($117,020 for 2016)
- UCRP contributions on pay up to PEPRA max
  - UC employer contribution – 8% *
  - Employee mandatory pre-tax contribution – 7%

Pension Choice: DC Supplemental component

- Contributions to individual DC Plan account at Fidelity
- UC employer contribution – 5%
  - *on **all** eligible pay up to IRC limit* ($265,000 for 2016)
- Employee mandatory pre-tax contribution – 7%
  - on eligible pay above PEPRA max up to IRC limit
    - $117,020 - $265,000 for 2016

* UC also contributes 6% towards UCRP's unfunded liability

Staff / Other New Hires – Option 1: Pension Choice includes UCRP + DC Supplemental

Pension Choice: UCRP component - same as Faculty

- UCRP eligible pay limited to PEPRA max ($117,020 for 2016)
- UCRP Contributions on pay up to PEPRA max:
  - UC employer contribution – 8% *
  - Employee mandatory pre-tax contribution – 7%

Pension Choice: DC Supplemental - differs from Faculty

- Contributions to individual DC Plan account at Fidelity
- On eligible pay **above** PEPRA max up to IRC limit
  - $117,020 - $265,000 for 2016
- Contributions start after person reaches PEPRA max
  - UC employer contribution – 3%
  - Employee mandatory pre-tax contribution – 7%

* UC also contributes 6% towards UCRP's unfunded liability

All New Hires – Option 2: Savings Choice (DC Plan)

Option 2 – Savings Choice (DC Plan)

- Same for Faculty and Staff/Other
- Contributions made to individual DC Plan account
- On all eligible pay up to IRC limit
  - $265,000 for 2016
- UC employer contribution – 8% *
- Employee mandatory pre-tax contribution – 7%

- UC also contributes 6% towards UCRP's unfunded liability: paid to UCRP, not to individual's DC Plan account

***Note*: UCRP Service Credit, and contributions for both options begin prospectively after election made**

Eligible Employees not subject to PEPRA max

No difference in 2016 retirement plan options between Faculty and Staff / Other

Option 1 – Pension Choice (UCRP): differs from New Hires

- UCRP 2016 Tier
  - UCRP eligible pay not limited to PEPRA max
  - DC Supplemental benefit does not apply

Option 2 – Savings Choice (DC Plan): same as New Hires

- Individual DC Plan account

Not subject to PEPRA max – Option 1 and Option 2: Pension Choice (UCRP) or Savings Choice (DC Plan)

Option 1: Pension Choice = UCRP *(no DC Supplemental)*

- UCRP eligible pay up to IRC limit ($265,000 for 2016)
- UC employer contribution – 8% *
- Employee mandatory pre-tax contribution – 7%

Option 2 – Savings Choice (DC Plan)

- Contributions made to individual DC Plan account
- On all eligible pay up to IRC limit
  - $265,000 for 2016
- UC employer contribution* – 8%
- Employee mandatory pre-tax contribution – 7%

UCRP Service Credit, and contributions for both options begin prospectively after election made

* UC also contributes 6% towards UCRP's unfunded liability

Service Credit and Vesting

Pension Choice: UCRP and DC Supplemental

- UCRP – same as current: 100% vested after completing five years of service credit
- DC Supplemental – follows UCRP
  - Employer account 100% vested after completing five years UCRP service credit
  - Employee account always 100% vested
- Service credit for UCRP and DC Supplemental vesting begins when contributions begin, after election made
  - not retroactive to date of hire (*unless employee makes election before first payroll cutoff*)

Savings Choice

- Employee account always 100% vested
- Employer account - 100% vested one year (or 12 months) from program eligibility date: elapsed time method

DC Plan Investments

DC Supplemental and Savings Choice (DC Plan)

- Choice of funds - Retirement Savings Program plans fund menu
- If employee does not select an investment fund:
  - Defaults to UC Pathway Fund
    - **UC Pathway Fund based on date employee will turn age 65**
    - **https://www.myucretirement.com/Resource/84**
- Employee can always change investment fund selection on NetBenefits