

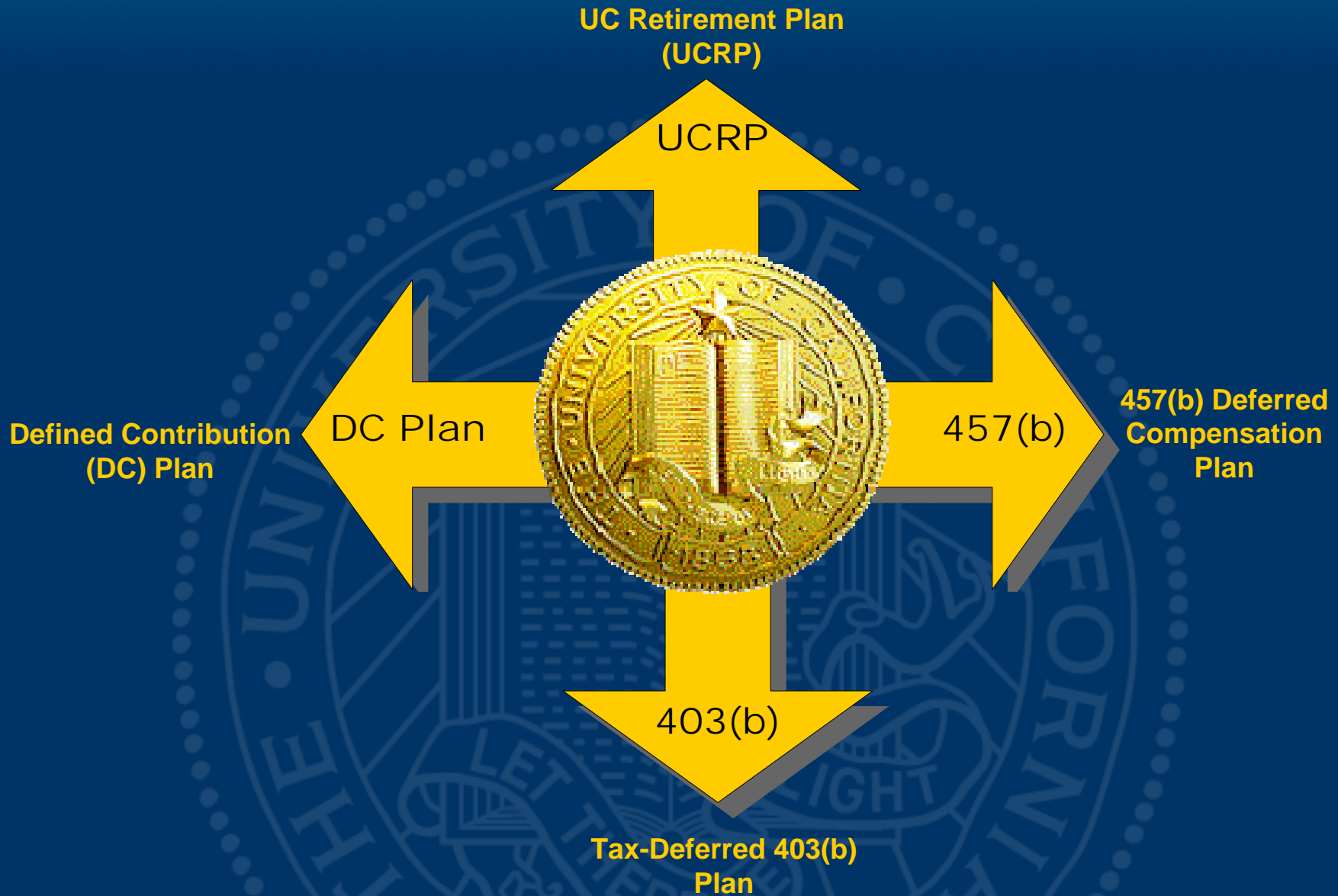


**The Future
of the
UC Retirement Plan**

An Informational Briefing

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University of California Retirement System



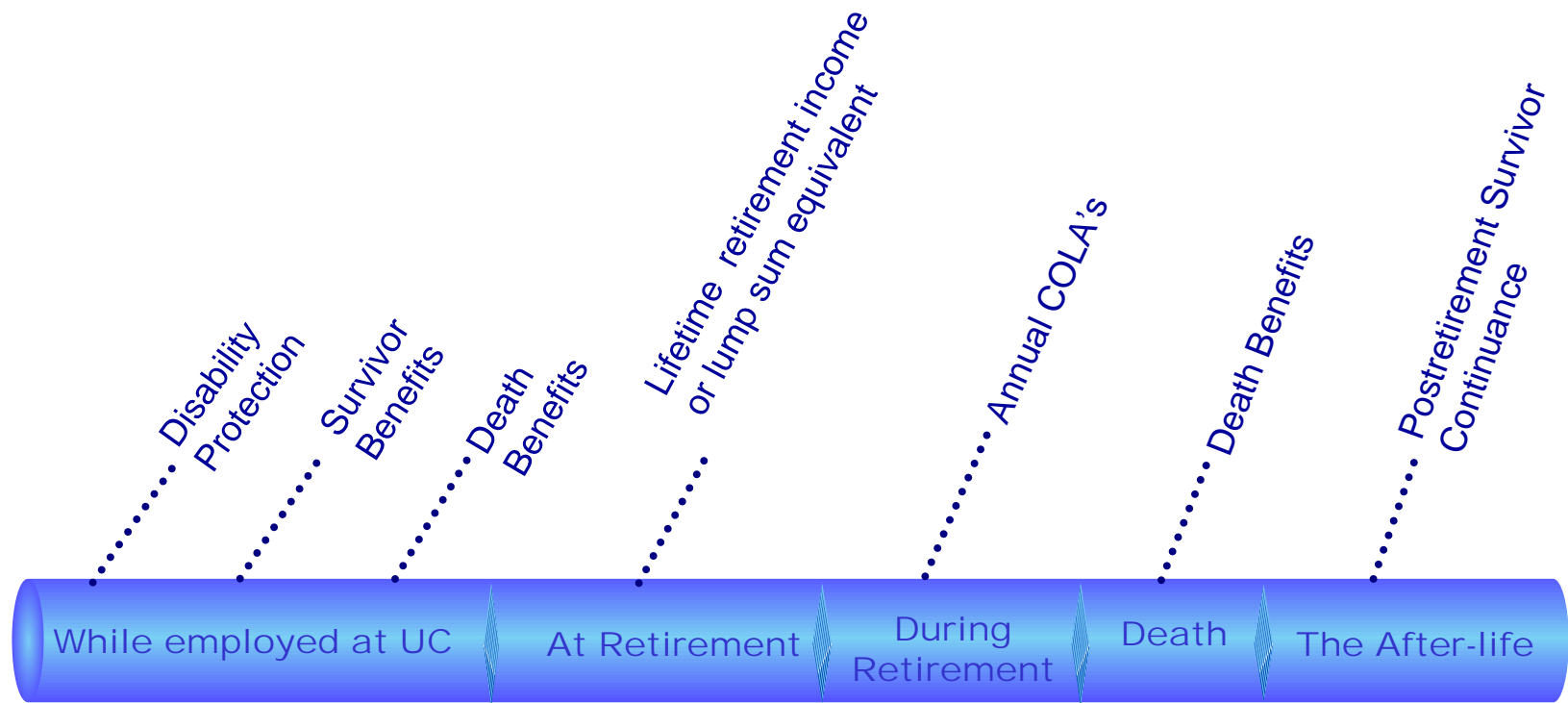
Defined Benefit vs. Defined Contribution

- UCRP is a **defined benefit plan**
 - Benefits paid by the Plan are pre-defined; i.e., based on a formula
 - Benefits are NOT based on contributions
- DC Plan, 403(b) Plan and 457(b) Plan are **defined contribution plans**
 - Contributions are defined; e.g., employee puts \$300 per month into plan
 - Benefits are based solely on contributions plus investment earnings

What is UCRP?

- UCRP is a governmental defined benefit plan – benefits are defined by a formula
- Regardless of asset performance or the amount of assets in trust, UCRP is an obligation of the employer/Plan sponsor to pay the earned benefits
- The Regents are both the employer and Plan sponsor

What does UCRP provide?





UCRP “Bells and Whistles”



- Reciprocity with CalPERS
- Capital Accumulation Provision (CAP)
- Temporary Social Security Supplement
- Three Different COLA's
 - Inactive COLA
 - Base-building retiree COLA up to 6%
 - Periodic ad-hoc COLA's to retain retiree purchasing power (as funding allows)



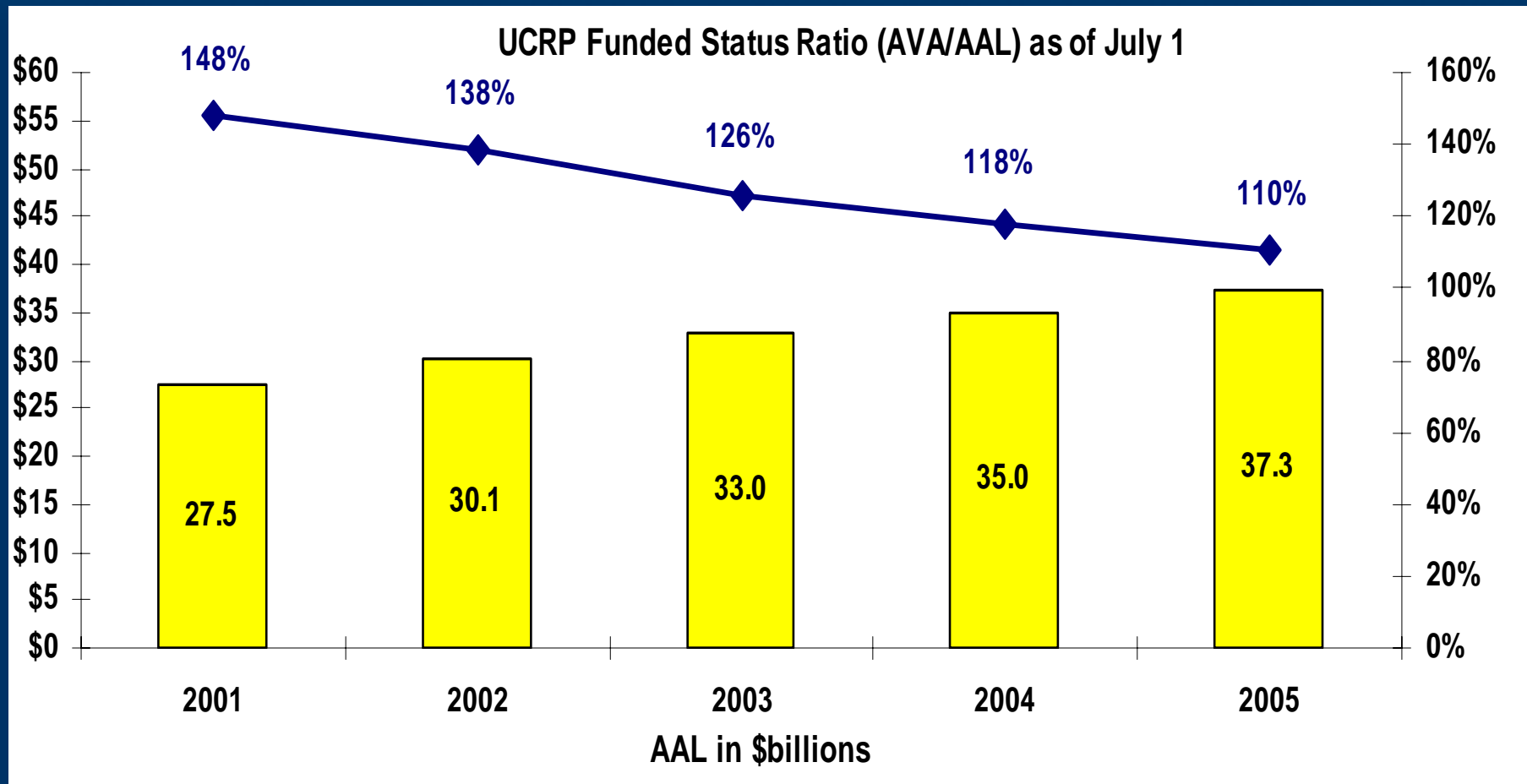
The Future of UCRP

- UCRP is an important component of UC's total compensation package as stated in The Regents' total remuneration philosophy (RE-61)
- UC is committed to maintaining the Plan
- The annual actuarial report shows that UCRP is healthy today...but plan funding will continue to decline unless contributions are resumed

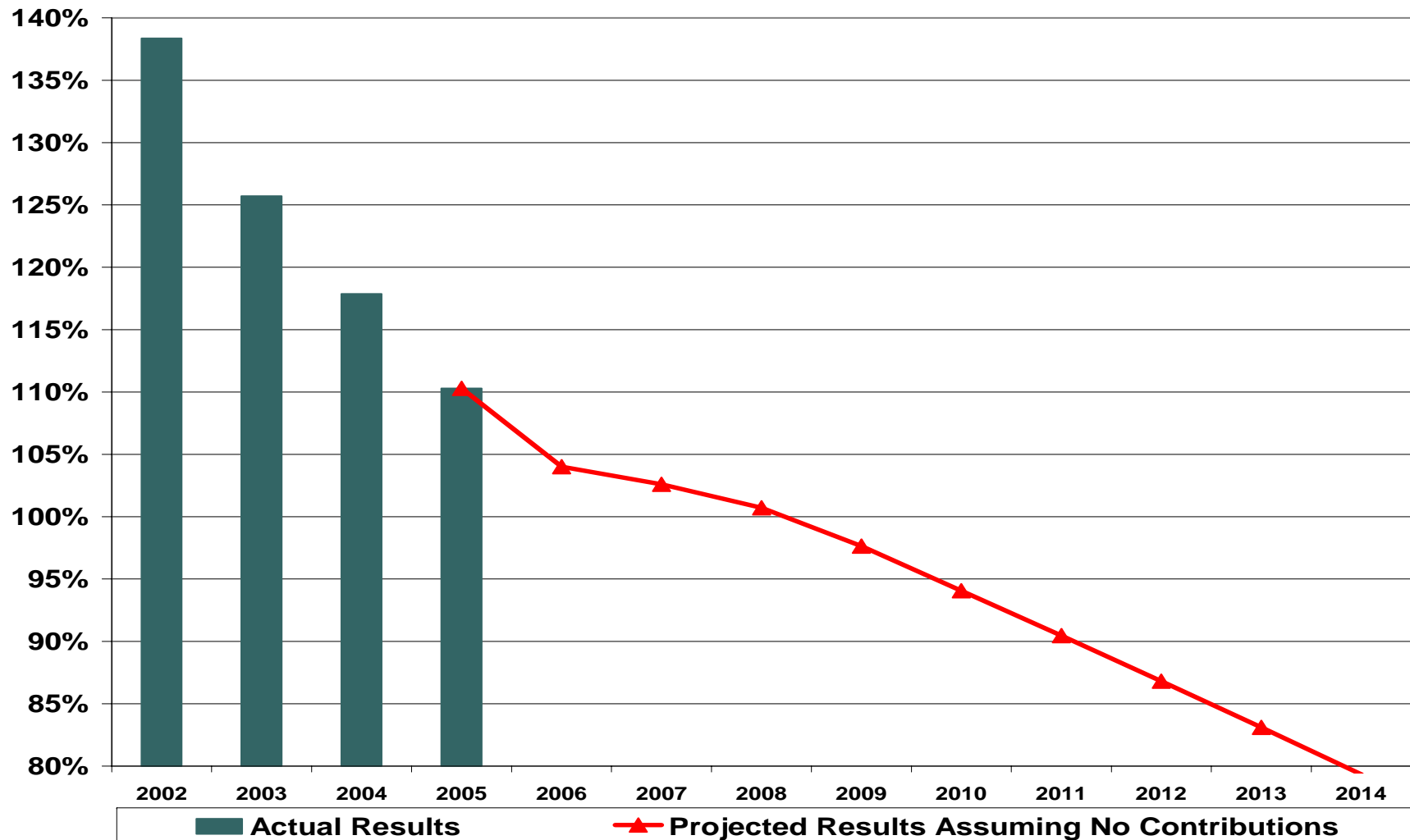
Guiding Principles for the Restart of Contributions to UCRP

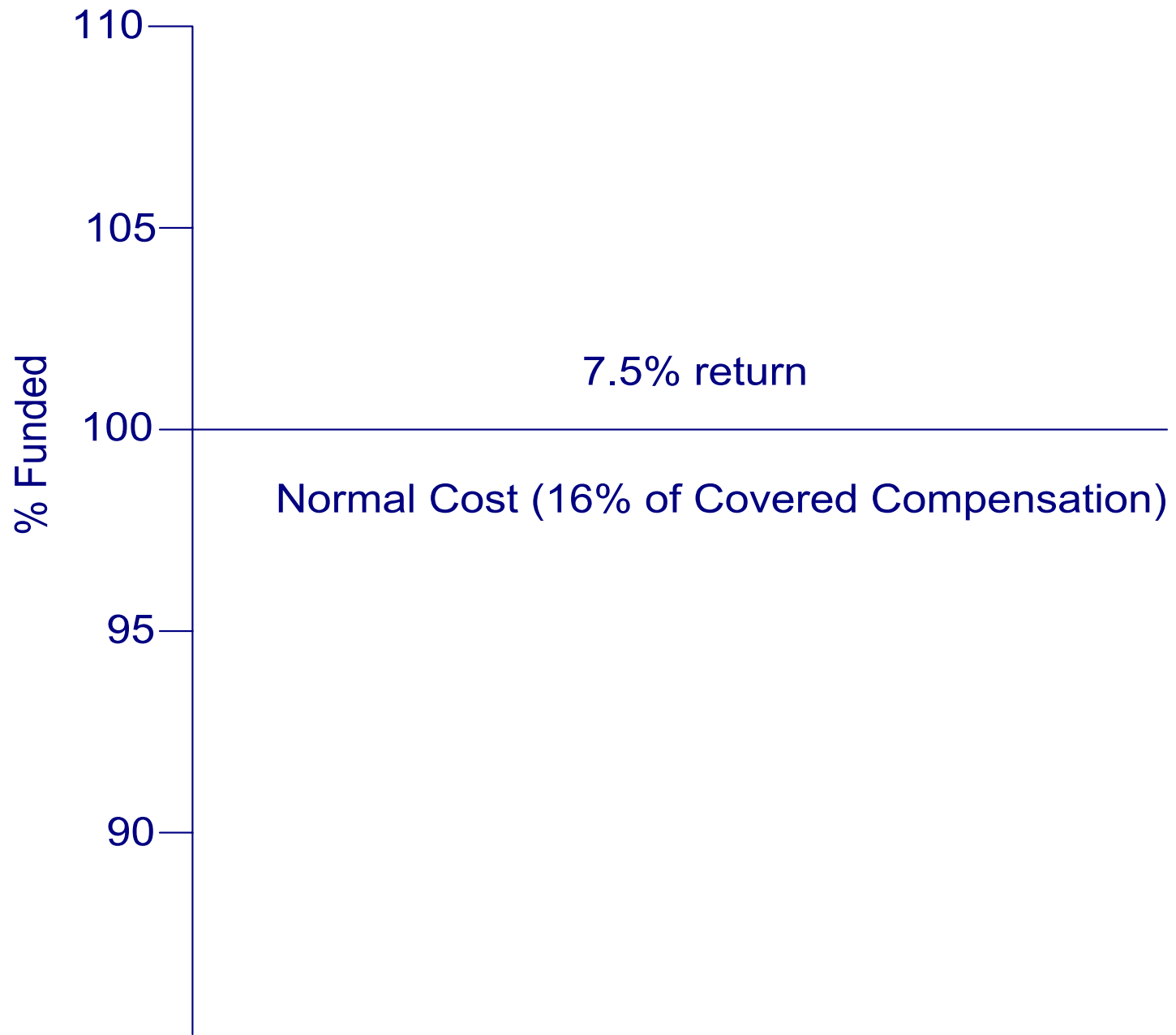
- *Sustainability*
 - *Affordability*
 - *Competitiveness*
 - *Consultation*
- 

Decline in UCRP Funded Status

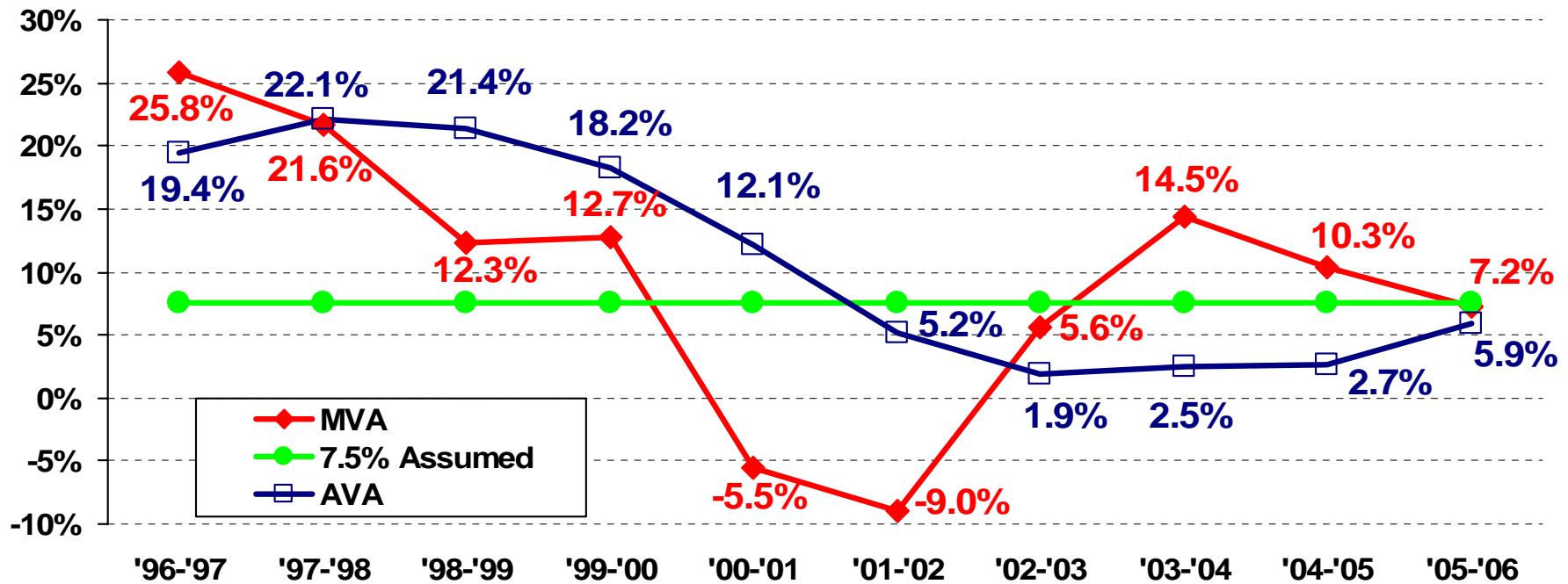


Projected Funding of UCRP Funded Ratio (AVA/AAL)





Investment Rates of Return



AVA recognizes each MVA return above or below the assumed rate (7.5%) over five years

Regents Actions in March 2006

- Gradually resume contributions to UCRP starting in July 2007
- Target 100% long-term funding with contributions keeping plan between 95% and 110% at all times
- Require contributions of the University and active members (employees)
- Gradually increase total contributions to 16% of covered pay – a cost to be shared by UC & employees

July Regents UCRP Update

- Reaffirmed commitment to restart contributions effective July 2007
- Intention is to begin with redirect only – both University and employees
- Comments on the actuarial report commissioned by unions

Illustrative Reinstatement Strategy

UC/Member Portions to Be Determined

	Total ¹	
Current	0%(2%/4%) ²	
7/1/2007	4%	} UC / Member split to be determined
7/1/2008	6%	
7/1/2009	8%	
7/1/2010	10%	
7/1/2011	12%	
7/1/2012	14%	
7/1/2013	16%	

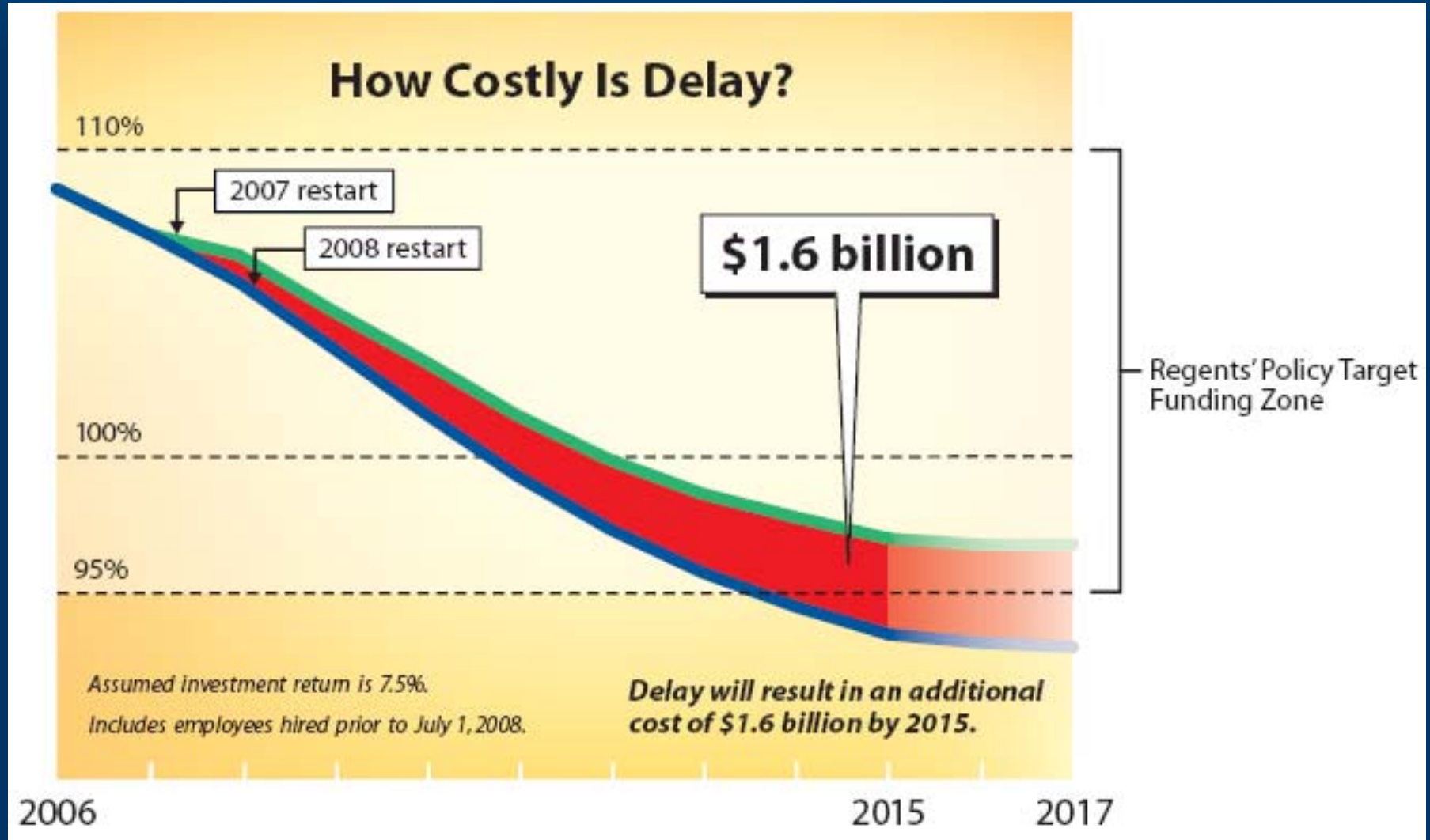
¹ Member portion applicable to members with Social Security. Offset of \$19 per month for employee contributions only. Total contributions do not reflect contributions on pay above the Social Security Wage Base.

² Contributions currently redirected to employee DC plan accounts. 2% contributions are currently paid on pay below the Social Security Wage Base (\$94,200 for 2006) and 4% on pay above that level.

Reinstatement of Contributions

- A consultation process is now underway to consider...
 - The total amount of contributions needed to maintain targeted plan funding
 - The split of employer and employee contributions
 - Any decision arising out of this consultation process will be subject to state funding, completion of the budget process and collective bargaining as applicable

Cost of Delaying the Restart



Project Timeline

- **September 2005: Regents called for competitive total remuneration**
- **November 2005: Valuation report showed decline in UCRP funding**
- **March 2006: Regents updated funding policy and authorized resumption of contributions to UCRP**
- **May 2006: Regents update on UCRP funded status; continued consultation**

Project Timeline

- **July 2006: University announces intention to resume contributions to UCRP with employee redirect and a UC matching contribution**
- **November 2006: Most recent actuarial valuation will be presented by Regents' Consulting Actuary**

Questions

