

Office of the President
January 6, 2003

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ITEM FOR ACTION

For Meeting of January 15, 2003

AUTHORIZATION TO AMEND UC RETIREMENT AND BENEFIT PLANS AND PROGRAMS AS NECESSARY TO SUPPORT RESPONSES TO THE CURRENT BUDGET SITUATION

The President recommends that the Committee on Finance recommend to The Regents that:

- (1) Authority be granted to allow amendments to University of California employee benefit plans and programs, including amendments to the University of California Retirement Plan (UCRP), Tax Deferred 403(b) Plan (403(b) Plan) and Defined Contribution Plan (DC Plan), in support of personnel strategies that respond to the immediate California state budget crisis. Authority is necessary to produce required savings in a timely manner to affect the current (and in some cases continuing into the next) fiscal year.
- (2) Authority for these amendments and implementation of these provisions be delegated to the President, with the concurrence of the Chairman of the Board and the Chairman of the Committee on Finance, for program changes resulting in a cost not to exceed \$25 million per program annually.

BACKGROUND

The State of California continues to face a very serious fiscal challenge, with a budget deficit for 2003-04 estimated at more than \$20 billion. In the absence of firm information from the state about the extent of the budget cuts that will be required at the University, a broad range of options will need to be considered in response to the budget challenge. Possible options will include personnel strategies that will necessitate amendments to benefit plans and programs, including UCRP, the 403(b) Plan, and the DC Plan amendments that currently require Regental approval. As timing will be critical to implement programs that will produce immediate, required savings in the current fiscal year (and in some cases extending into the next fiscal year), delegated authority is requested so that amendments necessary to implement initiatives can be approved and communicated quickly.

As an example, an initial response to the current budget situation to generate short-term salary savings could be a voluntary Time Reduction Incentive Plan (TRIP), as was offered in 1992 in response to adverse budget circumstances at that time. Amendments to UCRP would be necessary to ensure that participation in the program would not reduce a UCRP Member's retirement benefit. There may be additional future costs to the extent that any of these programs were to include equivalent deferred vacation.

Other actions under this authority could include UCRP amendments so that a UCRP Member is not disadvantaged by a personnel action that impacts their eligibility for or reduces the amount of the April 1, 2003 Capital Accumulation Provision (CAP) Accrual Credit, approved by The Regents at their November 2002 meeting.

Scope

Implementation of the necessary plan and program changes, not to exceed \$25 million per program annually, would be delegated to the President, with the concurrence of the Chairman of the Board and the Chairman of the Committee of Finance. Programs would be implemented as necessary and when administratively feasible and in accordance with applicable Internal Revenue Code rules and regulations. Any proposed amendment affecting employees represented by a union is subject to notice, consultation, and/or meeting and conferring as appropriate under the Higher Education Employer-Employee Relations Act. Delegated authority under this action is not requested for any type of early retirement program.