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Office of the President

TO MEMBERS OF THE COMMITTEES ON FINANCE AND COMPENSATION:

DISCUSSION ITEM

For Meeting of September 16, 2010 ***LINK to POWERPOINT***

UNIVERSITY OF CALIFORNIA POST-EMPLOYMENT BENEFITS -- AN OVERVIEW

EXECUTIVE SUMMARY

This item provides an overview of the post-employment benefits currently provided to University of California faculty and staff, as background to the upcoming discussions regarding the President's recommendations based on the report prepared by the Post-Employment Benefits Task Force.

Previous Actions:	**September 2008**: The Regents approved a funding policy for the campus and medical center segment of UCRP.
	February 2009: The Regents approved restarting University and member contributions effective on or about April 15, 2010, subject to collective bargaining as applicable.
Future Action:	**September 2010:** Employer and employee UCRP contribution rates for Plan Years beginning July 1, 2011 and July 1, 2012; consideration of a revised amortization schedule for UCRP unfunded liabilities.
Future Discussion:	**November 2010:** Annual actuarial valuations for UCRP and for the Retiree Health Program; President's recommendations based on the report prepared by the Post-Employment Benefits Task Force.

The University of California is committed to providing competitive pay and benefit programs to attract and retain excellent faculty and staff to accomplish its mission of research, teaching and public service for the people of California, while ensuring sustainable post-employment benefits (e.g., pension and retiree health) for current and future retirees.

UC's primary pension program is the University of California Retirement Plan (UCRP or Plan). UCRP was created in 1961 and today has $34 billion in assets (market value) and an estimated $47 billion in actuarial accrued liability. UCRP's Normal Cost[1] is $1.4 billion/year. The Plan pays out over $1.6 billion annually in benefits and was non-contributory for nearly two decades.

[1] Normal Cost is the cost allocated to each additional year of service credit for all active UCRP members.

The entirely separate UC Retiree Health Program has been run on a pay-as-you-go basis for decades, with UC paying the major portion of the premiums and retirees paying the balance. Currently, the UC-paid share of premiums for retiree medical and dental is $250 million annually. The UC share is paid for through location assessments of 3.3 percent of payroll. The current program is entirely unfunded, with a $14.5 billion actuarial accrued liability as of July 1, 2009.

UCRP and the Retiree Health Program programs have been part of UC's employment package for decades, but must be re-evaluated in light of the University's current and future financial situation. The problem is compounded by the State's lack of support for paying its share of the pension contribution for employees with State-funded salaries.

Under the terms of the UCRP, all member benefits accrued to date are protected and are an obligation of UCRP. UCRP retirees have fully accrued their pension benefits. Unlike most statutory or legislated state plans, the terms of UCRP reserve to the Regents the right to change future accruals of UCRP benefits for current faculty and staff[2]. Furthermore, pension and retiree health benefits for future hires can be changed at any time, and retiree health benefits are not vested. Thus, changes can be made to retiree health eligibility, plan design, and premiums for current faculty and staff and for retirees. These changes are subject to the collective bargaining process for represented employees.

The Board of Regents is both the plan sponsor and fiduciary for UCRP and the Retiree Health Program. The Board has delegated limited authority to the President over administrative matters and to the Office of the Treasurer for UCRP investments.

Included as attachments to this item are a summary of recently approved and proposed changes to plan design and member contribution rates for public retirement plans, a summary of the features of the retirement plans provided by the Comparator 8 institutions, and an overview of UC communications regarding retirement benefits and the Post-Employment Benefits Task Force.

UCRP BACKGROUND
PLAN DESIGN / FINANCIAL ISSUES

History

The University created its first pension program in 1924 for faculty and its second pension program in 1937 for non-academic staff through CalPERS. In 1961 UCRP, a defined benefit plan[3], was established for all UC career employees and was coordinated with Social Security in

[2] The application of this provision has not been tested in a court of law.
[3] Under a defined benefit plan, the benefits are determined by a formula, with the variables usually being retirement age, service credit, and highest average plan compensation during a specified period. Generally the investment risk is borne by the plan sponsor; however, some defined benefit plans, mainly governmental plans, require employee contributions that absorb some portion of the risk.

1976. As a result of the Plan's significantly overfunded status, in 1990 the Regents authorized suspension of the University's annual contribution and redirection of most member contributions to the Defined Contribution Plan [4], a supplemental retirement investment vehicle. The UCRP's overfunded status would last nearly two decades.

Today, UCRP has four main segments within its trust:

- Campus and Medical Center Segment
- Lawrence Berkeley National Laboratory Segment
- Lawrence Livermore National Laboratory Segment (retirees, survivors and terminated vested members only)
- Los Alamos National Laboratory Segment (retirees, survivors and terminated vested members only)

All assets in the UCRP trust are available to pay benefits to any member.

2009 Membership Profile

As of July 1, 2009, UCRP has 116,000 active members and 52,000 retirees and survivors receiving benefits. Of the 116,000 active members, 22,600 are academics, 8,600 are management and senior professional staff, and 84,800 are professional support staff – with 53 percent policy-covered and 47 percent covered by collective bargaining agreements. Currently, one-third of the University workforce, approximately 36,000 employees, is eligible to retire.

UCRP Benefits

UCRP provides a lifetime pension with annual cost-of-living adjustments and a continuing retirement income benefit to eligible survivor(s). The plan also provides disability and death benefits.

The UCRP monthly retirement benefit is determined by multiplying a factor based on the member's age times the years of service credit times the highest average plan compensation (HAPC) during 36 consecutive months (minus $133). The retirement benefit age factor is 1.1 percent at age 50 and increases with each additional month of age to 2.5 percent at age 60 for most members. For Safety members the retirement benefit age factor is 3 percent at age 50 and older. The average age at retirement is 60 for staff and 66 for faculty. The following table shows examples of retirement benefits provided by UCRP.

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[4] Under a defined contribution plan, employer and/or employee contributions are made to the plan trust and invested. A participant's share of the trust assets reflects gains and losses attributable to the investments elected by the participant. The funds available for retirement income are subject to market fluctuations. Participants bear the investment risk. Defined contribution plan benefits are portable since participants do not lose benefits by changing employment.

Retirement Age	Age Factor	Years of Service	Highest Average Plan Compensation (HAPC) - $133	Annual Equivalent of Highest Average Plan Compensation	Monthly Retirement Benefit	% of Monthly HAPC - $133
50	1.1%	20	$4,867	$60,000	$1,070	22%
55	1.8%	25	$8,200	$100,000	$3,690	45%
60	2.5%	30	$9,867	$120,000	$7,400	75%

Financial Fundamentals - Valuation Concepts

Valuation

Each year a valuation is performed as of July 1 and presented to the Regents in November. Using data on members, the Plan's finances, and benefit provisions, actuaries apply assumptions about such factors as long-term investment earnings, when members will retire, how many members will die or become disabled, etc. They develop long-term projections about UCRP's funded status and the level of contributions based on the Regents' funding policy.

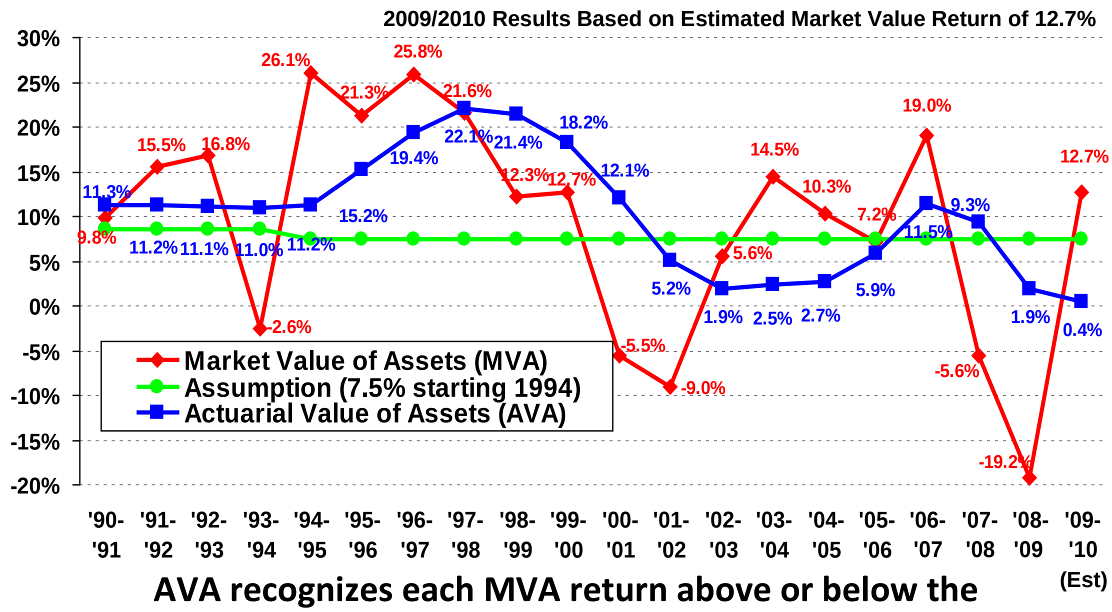
Liabilities

UCRP's Normal Cost is the portion of the long-term cost allocated to a year service for all active members. It was about 17.6 percent of covered payroll in 2009/2010 (~$1.4 billion). Actuarial Accrued Liability measures the Normal Cost from past years. Liabilities grow by each year's Normal Cost, plus interest on the liability and are reduced by any benefit payments made during the year. Ideally, sufficient assets should be captured from the same fund sources each year that are incurring the new Normal Cost liability each year.

Assets

There are two different measurements of a pension plan's assets, market value and actuarial value. The market value fluctuates along with investment returns, reflecting investment results immediately. The actuarial value "smoothes" or spreads investment gains/losses above or below the actuarial assumed earnings rate (currently 7.5 percent for UCRP) over a period of years to dampen the volatility of the market value investment returns. UCRP currently uses a five-year "smoothing" period.

UCRP Investment Rates of Return



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

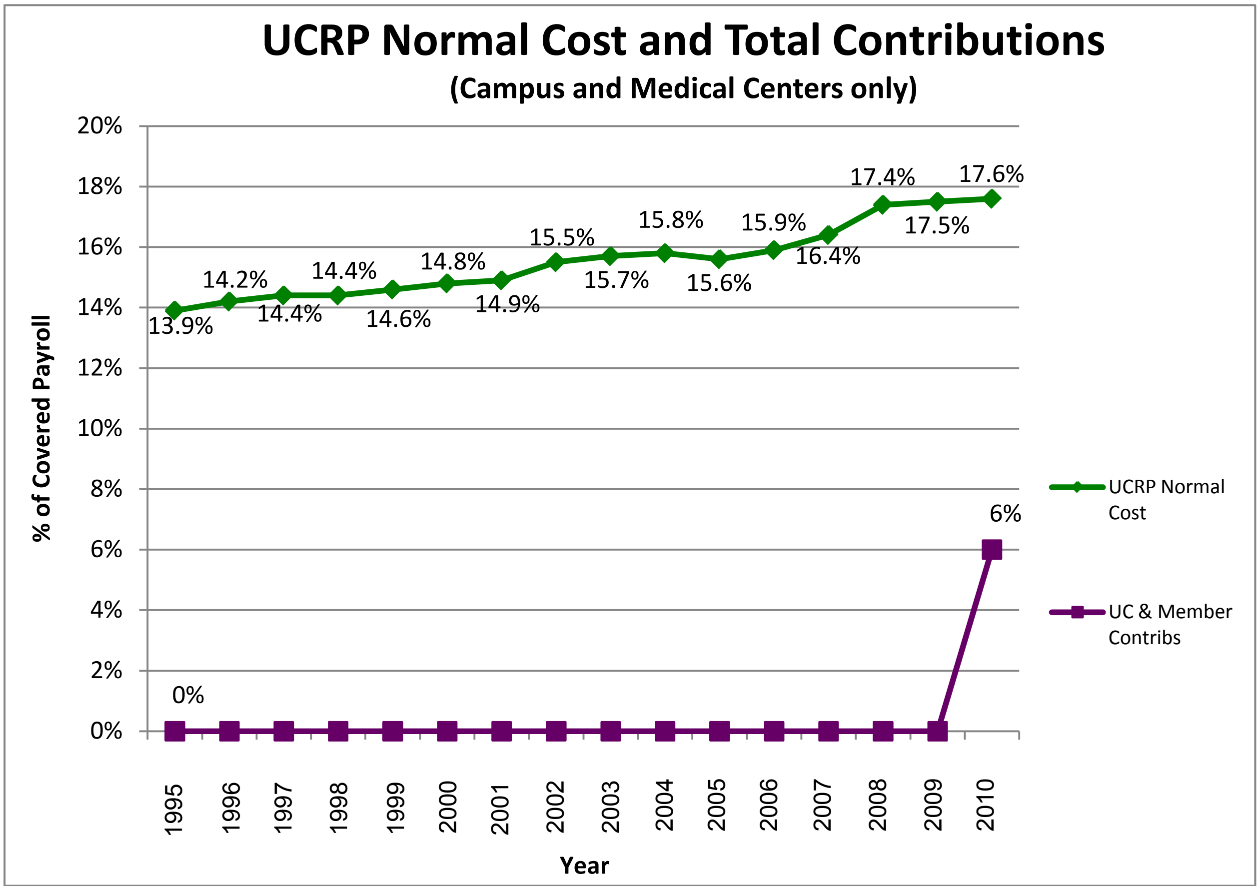
History of UCRP Investment Returns

Market returns in the last 20 years have been highly volatile, ranging from a 1994 high of over 26 percent to a 2008 low of around -19 percent (about 27 percent short of the assumption of a positive 7.5 percent). The FY 08/09 loss will not be fully recognized in the actuarial value of assets until the 2013 actuarial valuation. It is important to note that over the 20-year period ending 12/31/2009, UCRP's average return on investments was 8.97 percent, which is higher than the 7.5 percent assumption for UCRP.

Investment returns are the largest driver of assets available to pay benefits. The University Treasurer's Office investment performance has been consistently above its benchmark and the UCRP assumed rate of return, but ***investments alone cannot overcome a 20-year lack of contributions***. Without restarting contributions, it has been estimated that earnings would have to be more than 15 percent per year over the next 10 years to return UCRP to 100 percent funded status. In addition, contributions equal to the Normal Cost, along with investment earnings of 7.5 percent per year would still be needed after returning to 100 percent funded status.

History of UCRP Contributions

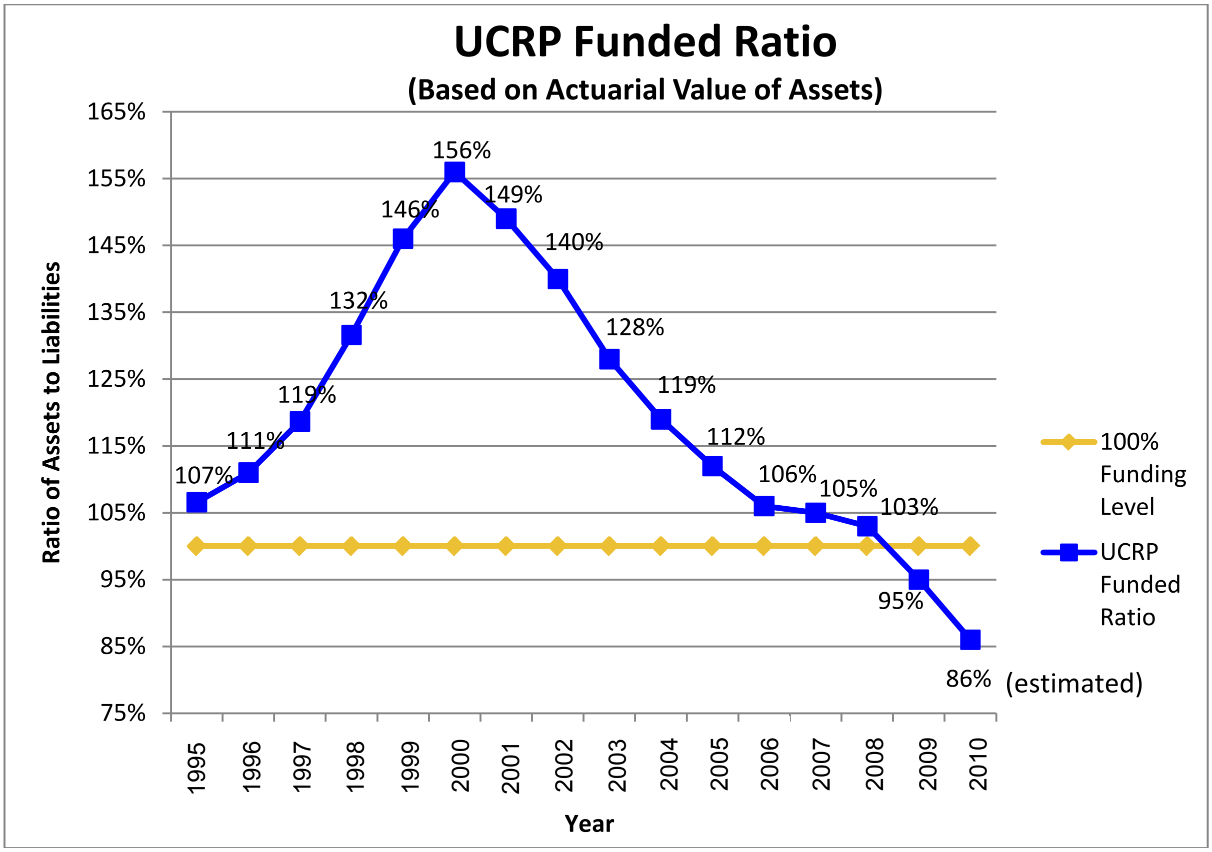
Generally, employer and employee contributions to a pension plan are set to cover a plan's Normal Cost, plus an amount to amortize any unfunded liability. Between 1976 and 1990, contributions to UCRP varied; employees paid between 5 percent and 7 percent and the employer contributions went as high as 16.37 percent. Currently, UCRP's Normal Cost is 17.6 percent of covered payroll, approximately $1.4 billion/year.



UCRP's Normal Cost has increased over time due to benefit improvements, changes to actuarial assumptions, and a later entry age on average for new hires.

In November 1990 UCRP was 137 percent funded, meaning, at that time, the Plan had more assets than liabilities that were allocated to date. As a result the Regents suspended University contributions and directed that most member contributions be redirected to individual accounts in the DC Plan, subject to the Regents' right to direct these contributions back to UCRP in the future as necessary to maintain the Plan's funded status. Each subsequent year, the Normal Cost was "paid" out of the surplus as it was added to the liability. In March 2006 the Regents adopted a long-term targeted funding level of 100 percent, and in September 2008 the Regents approved a funding policy for UCRP, under which policy contributions consist of Normal Cost plus an amortization charge for any unfunded actuarial accrued liability or minus an amortization credit for any surplus.

As a result of the contribution holiday, it is estimated that as of July 1, 2010 UCRP is 86 percent funded on an actuarial value of assets basis and 71 percent on a market value of assets basis ($13.5 billion shortfall). Hypothetically, had contributions been made to UCRP during each of the prior 20 years at the Normal Cost level, UCRP would be approximately 120 percent funded today.



Restart of UCRP Contributions

In February 2009, the Regents authorized restarting UCRP contributions at 4 percent for the University and 2 percent/4 percent[5] for members beginning on or about April 15, 2010 subject to collective bargaining for represented employees. The Regents' approved action item included a commitment to review the contribution level each year in accordance with the funding policy,

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[5] UCRP members coordinated with Social Security contribute 2 percent of covered pay below the Social Security wage base and 4 percent above it. Contributions are reduced by a $19 per month offset.

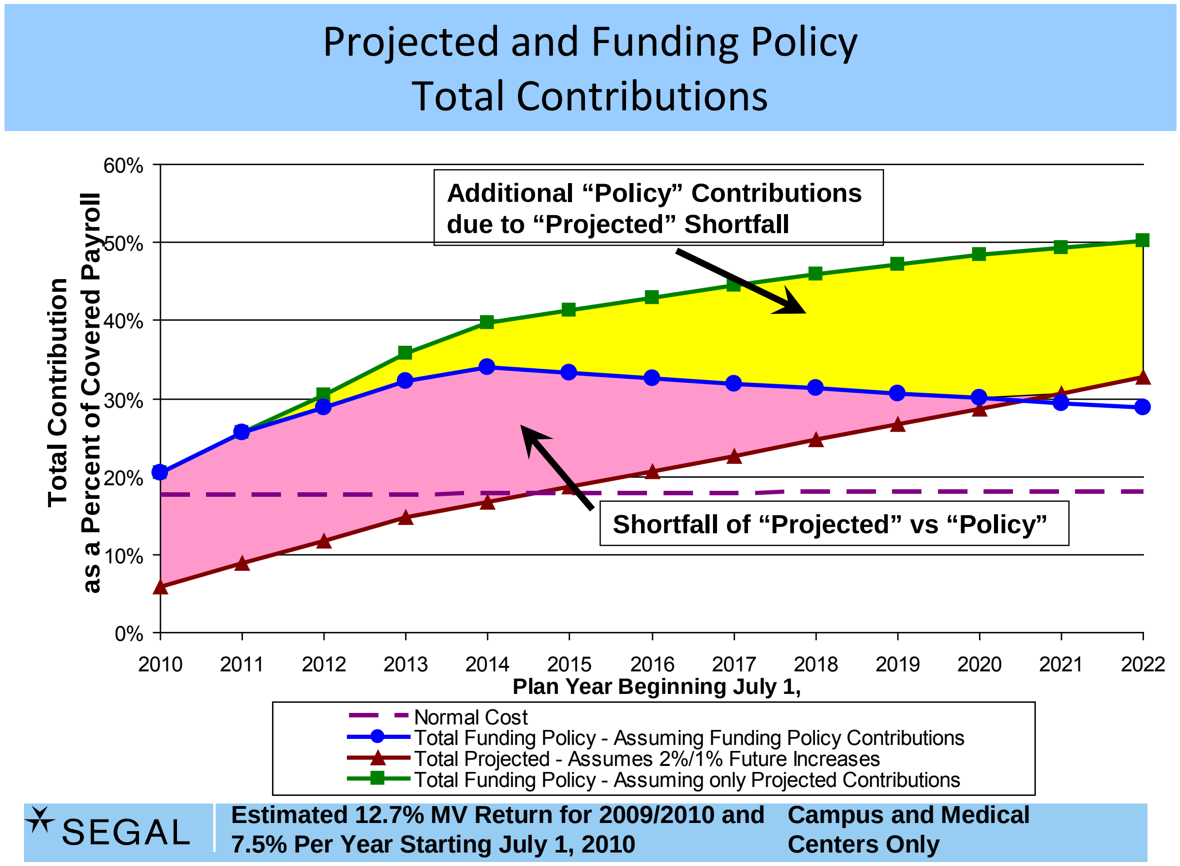
balancing the actuarial policy contribution level with available funding and the impact on members' total compensation.

The restart of all University contributions to UCRP was delayed due to the lack of State support for the funding of even a portion of the State's share on State-funded salaries. The State has enjoyed a nearly 20-year period of zero contributions to UCRP for State-funded members. The decision was made to proceed with the restart of contributions this year without State funding because of the decrease in UCRP's funded status. Student fees had to be used to partially cover the State share of the contributions and campuses had to redirect resources to cover the 4 percent University cost, which even with member contributions is far less than the Normal Cost of 17.6 percent. University and State discussions on the State's obligations are ongoing; however, the financial condition of the State is not expected to improve for many years.

For 2010 the combined University and member contributions are about 6 percent of covered payroll but, since the Normal Cost is 17.6 percent, the unfunded liability continues to grow. Because benefit charges must be the same across all fund sources and more than two-thirds of University funding is non-State based, for each dollar the State fails to pay, UC loses more than two dollars that could be collected from other fund sources. Additionally, deferring full contributions means that the University is not capturing monies from the fund sources incurring the annual increase in liability (Normal Cost).

Each year the total policy contribution[6] is calculated and projected as though it will be made in each future year. In that calculation, the policy contribution amount as a percent of payroll decreases as the unfunded liability is paid down. When actual contributions are less than policy amounts, the unfunded liability increases by the amount of the shortfall, increasing future policy contributions. The following chart shows this for UCRP based on currently projected contributions:

[6] Policy contribution is the total of employer and employee contributions.



- Horizontal red dotted line is UCRP’s Normal Cost (17.6 percent as of July 1, 2009).
- Red line with triangles shows contributions approved by the Regents for April 2010 starting at a University rate of 4 percent and a member rate generally at 2 percent. The projection assumes the University rate increases 2 percent per year and the member rate increases 1 percent per year up to 5 percent.
- Blue line with dots illustrates what policy contributions would be if these amounts were fully paid each year (the Normal Cost plus an amount that would pay down the unfunded liability over 15 years).
- Pink area between the red and blue lines shows the shortfall between actual and policy contributions that adds to the unfunded liability each year.
- Green line with squares shows the higher policy contribution needed each year because of the unfunded liability created by earlier contribution shortfalls (pink area).
- Yellow area between the blue and green lines is the amount of increase in policy contributions needed to amortize the increased unfunded liability over 15 years.

The projected gradual phase-in of contributions (red line with triangles) rapidly approaches 30 percent of payroll but the shortfall increases the unfunded liability and policy contributions (green line with squares). Fully funding the policy contribution eliminates the unfunded liability in around 15 years but requires rates as high as 35 percent of payroll before beginning to decline (blue line with dots).[7] Delaying full funding of the policy contribution results in a greater total expense to the University over time.

CalPERS, CalSTRS, and Comparator 8 Plans

In comparison with the two other large California pension plans[8] covering educational institutions, the UCRP's funded status is much better, but the other plans have been receiving full policy level contributions.

	UCRP	CalPERS	CalSTRS
Who is covered	Faculty and staff (covered by Soc Sec)	CSU faculty and staff; Community College staff (covered by Soc Sec)	Community College faculty (not covered by Soc Sec)
Contributions Employer	4%	19.922%	8.25% from college; 4.517% from State (2.017% basic + 2.5% for purchasing power protection)
Member/Employee	2% to Soc Sec wage base; 4% above Soc Sec wage base; $19 per month offset	5% of earnings over $513/mo	8% (no Soc Sec contribution)
Funded Ratio 2009	95% based on actuarial value of assets; 71% based on market value	estimated at 81% based on actuarial value of assets; 59% based on market value	estimated at 77% based on actuarial value of assets; 60% based on market value
Maximum Benefit Factor	2.5% at age 60	2.5% at age 63	2.4% at age 63
Salary used to calculate pension benefits	Highest 36 months	Generally highest 12 months	Highest 36 months (Highest 12 if 25+ years of service)

While CalPERS and CalSTRS provide traditional defined benefit pension plans, the University's Comparator 8 institutions show more variation. For faculty, four offer only a defined contribution plan, one offers only a cash balance plan and three provide choice between a defined benefit and a defined contribution plan. The institutions' staff plans are equally varied. For exempt staff three have a defined contribution plan; one has a cash balance plan; and four

[7] The policy contribution increases between 2010 and 2014 because the investment losses from 2008/2009 are being "smoothed" or recognized in calculations of UCRP's assets.
[8] California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS)

offer a choice between a defined benefit plan and a defined contribution plan. For non-exempt staff three have a defined contribution plan; one has a cash balance plan; one has a defined benefit plan; and three offer a choice between a defined benefit plan and a defined contribution plan. Attachment 1 is a summary of recently approved and proposed changes to plan design and member contribution rates for public retirement plans. Attachment 2 provides summary information regarding the pension plans offered to faculty and staff by the Comparator 8 institutions.

UC RETIREE HEALTH PROGRAM BACKGROUND
PROGRAM DESIGN / FINANCIAL ISSUES

This separate post-employment benefit began in 1962 with a $5/month University contribution. Based on a Regents' delegation, the University of California Human Resources Department, in consultation with the Academic Senate, designs and annually negotiates plan and rate changes. Plan options, benefits and rates are subject to change each year and are not a vested benefit. Periodically, the University has changed the benefit and eligibility terms for the Retiree Health Program.

The program now covers 35,000 UC retirees and 18,000 family members at an annual cost of $250 million for 2009/2010. Eligible individuals who retire from UC with a monthly pension have health care coverage options similar to those offered to active employees. The monthly UC contribution varies from a low of $372 (single) to a high of $1,193 (family) for non-Medicare Plans and from $247 (single) to $1,142 (family) for Medicare Plans[9]. If a UC retiree or dependent is eligible for Medicare, Medicare is the primary coverage and the UC coverage is secondary. UC's policy requires that all retirees or dependents eligible for Medicare must enroll. On average UC pays 89 percent of retiree medical premiums.

Faculty and staff hired after January 1, 1990 are eligible for a UC contribution on a sliding scale based on years of service (minimum age 50 with 10 years of service). A total of 27,000 faculty and staff are eligible to retire now with health benefits under the current program.

The University does not currently pre-fund retiree health benefits and instead provides for benefits on a pay-as-you go basis. Retiree health benefits are ***<u>not</u>*** paid from the UCRP trust. For fiscal year 2010-2011 campuses and medical centers are being assessed $3.31 per $100 of covered payroll, covering only the pay-as-you-go cost (the University's annual share of premiums). No contributions are being made towards the unfunded liability.

[9] The University also currently reimburses the allowed amount for a Medicare Part B premium if the plan's premium is less than the total available University contribution. For 2010 the maximum allowed Medicare Part B reimbursement is up to $96.40 (single) and up to $192.80/month for a retiree plus a Medicare-enrolled dependent.

	Retirees without Medicare	Retirees with Medicare
Plan choices	7 Plans: HMOs, Preferred Provider, Point-of-Service, catastrophic Dental	7 Plans HMOs, Preferred Provider, Point-of-Service, catastrophic, Medicare supplement Dental
UC 2010 contribution Medical Dental	 Approximately 84% on average 100%	 Approximately 92% on average (contribution not used for UC medical plan applies to Medicare Part B cost) 100%
Range of retiree costs for UC plans Single Two Party Family	 $ 47 to $129 $104 to $316 $142 to $419	(assumes spouse has Medicare) $0 to $ 8 $0 to $15 $0 to $37

Valuation Concepts

Each year a valuation is performed as of July 1 and presented to the Regents in November. In 2003 the University began to examine the implications of the Government Accounting Standards Board Statement (GASB 45) that, beginning in 2005, required public employers to include retiree health plan unfunded liability in their annual accounting – as they do for unfunded pension liability. The University is not alone in this; every other public entity with a retiree health plan is assessing the plan design and liabilities.

As part of a longer-term strategy, the Regents created a trust under Section 115 of the Internal Revenue Code that could be used to pre-fund the Retiree Health Program at a future date. Currently, pay-as-you-go contributions flow through the trust. The unfunded liability of the program in 2009 was $14.5 billion and, if no program changes are made, is projected to be $20.6 billion in 2014. GASB 45 requires that the University post the balance sheet obligation, the cumulative shortfall between actual funding and the Normal Cost plus the amortized unfunded liability. This was $2.3 billion in 2009 and is projected to be $9.7 billion by 2014 if no changes are made. These large liabilities on University balance sheets may impact the availability of unrestricted net assets and the University’s credit rating.

During the years from 2000 to 2005 medical care costs increased nationally at an annual rate between 9 percent and 14 percent. During the last three years the average annual increase has been between 5 percent and 7 percent. For 2011 costs are expected to increase by 8 to 10 percent, varying by geographic region. During the past six years the average increase in the aggregate rates charged by UC medical plans and in the aggregate UC contributions has been over 9 percent.

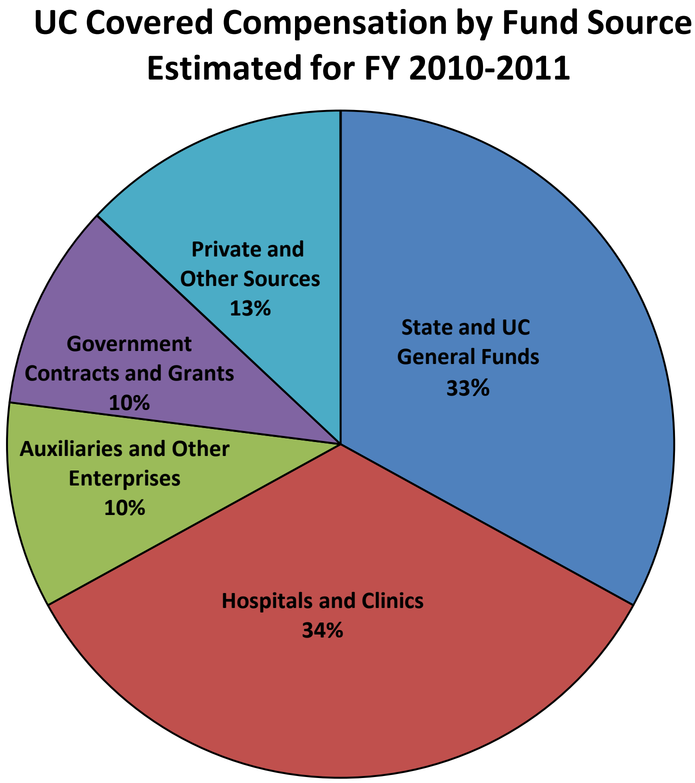
CalPERS state retirees may choose from a variety of medical plans similar to those offered by UC, and their contributions toward the premium cost are determined using a sliding scale based on service similar to that used to determine UC retiree medical premium contributions. There is no system-wide program of retiree medical coverage for California Community College faculty as these benefits are established by each community college district. All of the Comparator 8 institutions offer retirees the opportunity to continue their preretirement medical coverage, with the employee contribution in some cases based on service (like UC), pay at retirement, or age.

OVERALL UC BENEFITS COSTS

Currently, for every $100 of base payroll the University spends an additional $21 on benefits for faculty and staff: $13 on average for health and welfare programs and $8 for other costs, such as Social Security, Medicare, workers' compensation, unemployment, and employee support programs. Another $7 of operating funds is currently spent on post-employment benefits: $4 for the UCRP and $3 for Retiree Health, totaling $28 per $100 of base payroll costs. Including the full Normal Cost of the UC post-employment benefits today, the total cost of University benefits exceeds $44 for every $100 of base payroll.

Fund Sources

The University has several internal and external payroll fund sources as shown in the chart below. State and University general funds make up 33 percent of the University's budget, while other sources, such as medical centers, auxiliaries, federal funds and private funds make up the rest of the 67 percent.



Medical centers, clinics, auxiliaries, extension and extramural activities are University entities, but they must be self-supporting. Additional benefit costs substantially impact the entities' operating margins and could force them to shut down, causing the loss of essential University services for both the public and the University community.

BRIEF OVERVIEW OF THE POST-EMPLOYMENT BENEFITS TASK FORCE

Created in March 2009, the President's Post-Employment Benefits Task Force consists of a Steering Committee and three work teams with broad, cross-sectional membership from the University campus and clinical enterprise community – faculty, staff, retirees, and management. Some of the key guiding principles for the Task Force were that the programs should:

- Provide adequate financial security and access to quality health care, while ensuring a secure retirement after a full University career

- Be competitive in the markets from which the University recruits and support retention of quality faculty and staff

- Be financially prudent and sustainable while balancing costs and risk equitably among the University, faculty, staff and retirees

- Allow time for faculty, staff and retirees to plan for any changes
- Allow the Regents to meet their fiduciary responsibilities

The Task Force was charged with engaging in robust consultation as they addressed complex financial and talent management issues related to the University's post-employment benefits. Over the last 16 months, the work teams have met and consulted with a wide variety of stakeholders throughout the system. This work has reinforced the University belief that pension and retiree health benefits are an integral part of recruitment, retention and a general commitment to the University community in support of its primary mission of teaching, research and public service.

In its charge,

- The Task Force is directed to consider the impact of issues such as, but not limited to, market competitiveness, talent management, work force development and renewal, work force behavior, affordability and sustainability.

  The Task Force benefits policy and design recommendations will include an analysis based on multiple criteria including cost, long-term funding options, cash flow, as well as an assessment of the impact on the long-term financial integrity of the University.

- The Task Force recommendations should seek to enhance the capability of the Regents to meet their educational obligations to attract and retain outstanding faculty and staff, as well as fiduciary obligations for all current and future University of California Retirement System plans.

Communication and Consultation within the University Community

In support of the robust communication and consultation process requested by the University, the Task Force used several methods to assure it met this aspect of its charge.

<u>Location Forums</u>: The Task Force conducted open forums in fall 2009 and spring 2010 at every location within the University. They used a panel format involving more than 27 Task Force members. These presentations were designed to educate the University community, update them on the process and obtain their feedback and comments. There were 65 presentations reaching over 12,000 faculty, staff and retirees. These meetings were successful and well received, with strong, open exchanges during the question and answer periods. Participating Task Force members listened carefully to comments and suggestions to best determine ways of making these benefits sustainable and competitive over the long term. The University also met with union

coalition leaders before the location forums to share the presentation, answer questions and solicit feedback that was incorporated into the presentations. The fall and spring final presentations with audio tracks are posted on the University website: "The Future of UC Retirement Benefits."

Website: Shortly after its formation, the Task Force established a website for interaction with the University community – one that would serve as an ongoing source of information on the Task Force and its work. The site is "The Future of UC Retirement Benefits" at http://www.universityofcalifornia.edu/news/ucrpfuture/. The site has had over 100,000 visits and we have received hundreds of questions with responses grouped by subject.

An overview of UC communications regarding retirement benefits and the Post-Employment Benefits Task Force is included as Attachment 3.

NEXT STEPS

An executive summary and report of the findings and recommendations of the Post-Employment Benefits Task Force have been forwarded to the President and have been posted on the Future of UC Retirement Benefits website: http://www.universityofcalifornia.edu/news/ucrpfuture/welcome.html. The President will discuss the report with the Regents in September.

Notice

The University will take appropriate action concerning proposed changes that may trigger notice, consultation, and meeting and conferring obligations under the Higher Education Employer- Employee Relations Act, if any such action is required. The reinstatement of member contributions to UCRP for represented employees is subject to collective bargaining requirements.

Attachment 1 - Summary of Approved and Proposed Changes to Public Retirement Plans

Attachment 2 - Summary of Comparator 8 Retirement Plans for Faculty and Staff

Attachment 3 - Overview of UC communications regarding retirement benefits and the Post-Employment Benefits Task Force

University of California Retirement Plan

Comparison of Current and New Plan Provisions For Various California Public Sector Entities

(Note: Member contribution rates shown do not reflect any employer pickup of employee contributions or any special arrangements by bargaining groups)

	Current Provisions	New Provisions
State Employees (CalPERS) – Tentative Agreements Reached Between Governor and Unions (Tentative union agreements reached for 6* of the 12 unions representing roughly 37,000 of the state's public employees. Subject to ratification by union members and the legislature. After ratification, the changes apply to new hires only, with the exception being that the increase in the member rate also applies to current members. Negotiations for Service Employees International Union Local 1000, representing approximately 95,000 workers, currently in progress.)		
Age Factor	Miscellaneous and Industrial: 2.00% @ 55 Highway Patrol & Firefighters: 3.00% @ 50	Miscellaneous and Industrial: 2.00% @ 60 Highway Patrol & Firefighters: 3.00% @ 55
Final Average Salary	Miscellaneous and Industrial: 3 years Highway Patrol & Firefighters: 1 year	Miscellaneous and Industrial: 3 years Highway Patrol & Firefighters: 3 years
Member Rate (excludes varying offsets)	Miscellaneous and Industrial: 5.00% Highway Patrol & Firefighters: 8.00%	Miscellaneous and Industrial: 10.00% Highway Patrol & Firefighters: 10.00%
* Unions representing the California Association of Highway Patrolmen, California Department of Forestry Firefighters, California Association of Psychiatric Technicians, American Federation of State, County and Municipal Employees, Union of American Physicians and Dentists, and the International Union of Operating Engineers.		
San Diego County Employees Retirement Association (SDCERA) (General employees hired on or after August 28, 2009; Ordinance 9993)		
Age Factor	General Tier A: 3.00% @ 60	General Tier B: 2.62% @ 62
Retirement Eligibility	Generally age 50 w/ 10 years of service	Generally age 55 w/ 10 years of service
Final Average Salary	1 year	3 years
COLA	3% per year	2% per year
Member Rate	General Tier A Average: 10.73%	General Tier B Average: 7.65%
City of San Francisco (SFERS and CalPERS members) (All employees hired on or after July 1, 2010)**		
Final Average Salary	1 year	2 years (to the fullest extent possible for CalPERS members)
Member Rate***	SFERS Members: Misc. and Safety: 7.5% CalPERS Members: Most employees: 7.5%	SFERS Members: Safety: 9.0% CalPERS Members: All employees: 9.0%
** Proposition D was approved by voters (78%) on June 8, 2010. ***A Measure entitled "The Sustainable City Employee Benefits Reform Act" by the City's Public Defender, Jeff Adachi, qualified for the November 2010 ballot. The Act states that all active Miscellaneous employees of SFERS shall contribute 9% of pay to the Retirement System and it would not allow the City to pick up any portion of the contribution (currently some members do not contribute due to the employer pick up of their member contributions). If passed, the Act would become effective January 1, 2011 and would apply to <u>all</u> then active employees as well as those hired after that date.		

University of California Retirement Plan

Comparison of Current and New Plan Provisions For Various California Public Sector Entities

(Note: Member contribution rates shown do not reflect any employer pickup of employee contributions or any special arrangements by bargaining groups)

	Current Provisions	New Provisions
Orange County Employees Retirement System (OCERS) (All eligible new General employees hired on or after May 7, 2010 have an irrevocable choice between Plans J and P.)****		
Age Factor	General Plan J: 2.70% @ 55	General Plan P: 1.62% @ 65
Member Rate	Entry Age 35 Sample: 11.05% (Plan J)	Entry Age 35 Sample: 7.20% (Plan P)
****Voluntary participation in new DC plan is also available. County match is 2% of pay for first year after plan commencement and 50% of employee contributions, up to 2% of pay, thereafter.		

Proposed Pension Reform Highlights from Current Governor and Select 2010 California Gubernatorial Candidates

Governor Arnold Schwarzenegger:

- Roll back pension benefits adopted in 1999 as Senate Bill 400
- Require a permanent 5% of pay increase in employee contribution rate
- Calculate retirement benefits on a 3-year final average salary (instead of 1-year in some cases)
- Require full disclosure by pension funds and honest funding of pension promises as and when those promises are made

Candidate Meg Whitman:

- Adopt 401(k)-style defined contribution plan for new hires
- Maintain defined benefit plan for current employees and increase employee contributions
- Increase retirement age for current and new employees (from 50 to 55 for public safety and from 55 to 65 for non-public safety)
- Increase vesting periods
- Prohibit pension spiking

Candidate Jerry Brown:

- Increase employee contributions for current and new employees
- Increase retirement age for new hires (from 55 to 60)
- Eliminate spiking by removing bonuses, promotions, overtime, and unused vacation in final average salary
- Use a 3-year final average salary
- Cap payments at “reasonable” level (undefined)
- Bar retroactive payments if benefits enhanced
- Ban contribution “holidays”

University of California Retirement Plan

Summary of Recent Plan Design Changes For Various State Plans

		Change	Approach
Contribution Rates	Employer	CO, IA, MN, NJ, NM	▪ Raise contribution rates ▪ Lower contribution rates
	Employee	CO, IA, MN, MO, MS, VA, VT, WY	▪ Raise contributions ▪ Mandate contributions
COLA	New Hires	CO, IL, MI, MN, SD, UT, VA	▪ Suspension tied to funding or CPI ▪ Tied to funding percentage ▪ Delay start
	Actives	CO, MN, SD	
	Retirees	CO, MD, MN, SD	
Sponsor Contribution Rules		IA, NJ, VA, VT	▪ Additional contributions to Annual Required Contribution ▪ Require Annual Required Contribution
Anti-Spiking		AZ, CO, IA, IL, NJ, VA	▪ Pensionable compensation ▪ Longer Final Average Salary period ▪ Longer vesting periods ▪ Cap compensation growth in Final Average Salary period
Multiplier	New Hire	GA, NJ	▪ Lower multiplier ▪ Reduce longevity multiplier
	Active	VT	
Retirement Eligibility	New Hire	IL, MN, MO, MS	▪ Raise service requirements ▪ Eliminate combined age/service rule ▪ Increase combined age/service rule
	Active	AZ, CO	
Retirement Age	New Hire	MO	▪ Raise normal retirement age ▪ Coordinate with social security normal retirement age
	Active	AZ, CO, VT	
Hybrid	New Hire	GA, MI, UT	▪ Combine defined benefit plan with a lower multiplier with defined contribution overlay ▪ Choice of hybrid or defined contribution
	Active		
Defined Contribution	New Hire	NJ, UT	▪ Part-time workers ▪ Elected officials provided an employer match

Source: National Conference of State Legislators – May 2010

Comparator 8 Retirement Plan Offerings for Faculty

Institution	Defined Benefit Plan	DB Plan Basic Benefit Formula	DB Employee Contributions	Maximum Benefit Applies	Defined Contribution Plan	DC Plan Employer Contributions	DC Employee Contributions
U. of California	Highest 3-year average	2.5% HAP less $1,596 (if coordinated with social security) x svc (max 40 yrs)	2% pay to SSWB + 4% pay over less $228 (if coord with SS) (pretax)	Age 60	Unmatched savings	None	
					Tax-sheltered annuity 403(b)	None	Up to IRS limits (pretax)
Harvard	None (Frozen 7/1/95)	--	--	--	Noncontributory savings	<age 40: 5% to SSWB + 10% over; age 40+: 10% to SSWB + 15% over	None
					Unmatched savings 403(b)	None	Up to IRS limits (pretax)
M.I.T.	Cash Balance	5% of pay	None	Age 65	Savings	$1.00 per $1.00 match	Match 1% to 5% of pay; Up to 95% total (pretax)
Stanford University	None	--	--	--	Noncontributory savings	1% pay at 1 yr svc, 2% at 2 yrs, 3% at 3 yrs, 4% at 4 yrs, 5% at 5+ yrs	None
					Savings	$1.50 per $1.00 on 1st 2% of pay, $1.00 per $1.00 on next 2% of pay	Match 1% to 4% of pay (pretax or posttax); Up to IRS limits (pretax)
SUNY Buffalo	Highest 3-year average (one-time election of DB or savings)	By service at termination: <20 yrs: 1.67% HAP x svc; 25+ yrs: 2% HAP x svc over 25 yrs	3.5% of pay	Age 62 or age 57 and 30 years	Savings	Based on svc: <8 yrs: 8% of pay, 8+ yrs: 10% of pay	3% required Up to IRS limits (pretax)
					Unmatched savings 403(b)	None	
U. of Illinois	Highest 4-year average (one-time election of DB or savings)	2.2% HAP x svc (max 80% HAP)	8% of pay (pretax)	Age 60 or 30 years	Savings 403(b)	7.1% of pay (employee must contribute)	8% (pretax)
					Unmatched savings 403(b), 457(b)	None	Up to IRS limits (pretax)
U. of Michigan	None	--	--	--	Savings 401(a)	10% of pay (5% to SSWB + 10% over if in optional plan)	5% (optl: 5% over SSEL if mandatory cvg) (pretax)
					Unmatched savings 403(b), 457(b)	None	Up to IRS limits (pretax)

Comparator 8 Retirement Plan Offerings for Faculty

Institution	Defined Benefit Plan	DB Plan Basic Benefit Formula	DB Employee Contributions	Maximum Benefit Applies	Defined Contribution Plan	DC Plan Employer Contributions	DC Employee Contributions
U. of Virginia	Highest 5-year average (one-time election of DB or savings 401(a))	1.7% HAP x svc	5% of pay	SSNRA or age 60 + 90 points	Savings 401(a)	8.9% of pay	5% required
					Savings 403(b), 457(b)	$.50 per $1.00	Match up to $40/mo; Up to IRS limits (pretax)
Yale	None	--	--	--	Money purchase	5% of pay to SSWB + 7.5% over	Up to IRS limits (pretax)
					Mandatory savings 403(b)	$1.00 per $1.00 (employee must contribute)	Match 1% to 5%; Up to IRS limits (pretax)

Comparator 8 Retirement Plan Offerings for Exempt Staff

Institution	Defined Benefit Plan	DB Plan Basic Benefit Formula	DB Employee Contributions	Maximum Benefit Applies	Defined Contribution Plan	DC Plan Employer Contributions	DC Employee Contributions
U. of California	Highest 3-year average	2.5% HAP less $1,596 (if coordinated with social security) x svc (max 40 yrs)	2% pay to SSWB + 4% pay over less $228 (if coord with SS) (pretax)	Age 60	Unmatched savings	None	
					Tax-sheltered annuity 403(b)	None	Up to IRS limits (pretax)
Harvard	None (Frozen 7/1/95)	--	--	--	Noncontributory savings	<age 40: 5% to SSWB + 10% over; age 40+: 10% to SSWB + 15% over	None
					Unmatched savings 403(b)	None	Up to IRS limits (pretax)
M.I.T.	Cash Balance	5% of pay	None	Age 65	Savings	$1.00 per $1.00 match	Match 1% to 5% of pay; Up to 95% total (pretax)
Stanford University	None	--	--	--	Noncontributory savings	1% pay at 1 yr svc, 2% at 2 yrs, 3% at 3 yrs, 4% at 4 yrs, 5% at 5+ yrs	None
					Savings	$1.50 per $1.00 on 1st 2% of pay, $1.00 per $1.00 on next 2% of pay	Match 1% to 4% of pay (pretax or posttax); Up to IRS limits (pretax)
SUNY Buffalo	Highest 3-year average (one-time election of DB or savings)	By service at termination: <20 yrs: 1.67% HAP x svc; 20+ yrs: 2% HAP x svc over 20 yrs	3% of pay	Age 62	Savings	Based on svc: <8 yrs: 8% of pay, 8+ yrs: 10% of pay	3% required Up to IRS limits (pretax)
					Unmatched savings 403(b)	None	
U. of Illinois	Highest 4-year average (one-time election of DB or savings)	2.2% HAP x svc (max 80% HAP)	8% of pay (pretax)	Age 60 or 30 years	Savings 403(b)	7.1% of pay (employee must contribute)	8% (pretax)
					Unmatched savings 403(b), 457(b)	None	Up to IRS limits (pretax)
U. of Michigan	None	--	--	--	Savings 401(a)	10% of pay (5% to SSWB + 10% over if in optional plan)	5% (optl: 5% over SSEL if mandatory cvg) (pretax)
					Unmatched savings 403(b), 457(b)	None	Up to IRS limits (pretax)

Comparator 8 Retirement Plan Offerings for Exempt Staff

Institution	Defined Benefit Plan	DB Plan Basic Benefit Formula	DB Employee Contributions	Maximum Benefit Applies	Defined Contribution Plan	DC Plan Employer Contributions	DC Employee Contributions
U. of Virginia	Highest 5-year average (one-time election of DB or savings 401(a))	1.7% HAP x svc	5% of pay	SSNRA or age 60 + 90 points	Savings 401(a)	8.9% of pay	5% required
					Savings 403(b), 457(b)	$.50 per $1.00	Match up to $40/mo; Up to IRS limits (pretax)
Yale	Highest 5-year average (one-time election of DB or savings)	1.5% HAP up to $38k, 1.4% from $38k-$70k, 1.3% over $70k x svc	None	Age 65 or age 60 + 25 years	Money purchase	5% of pay to SSWB + 7.5% over	Up to IRS limits (pretax)
					Mandatory savings 403(b)	$1.00 per $1.00 (employee must contribute)	Match 1% to 5%; Up to IRS limits (pretax)

Comparator 8 Retirement Plan Offerings for Nonexempt Staff

Institution	Defined Benefit Plan	DB Plan Basic Benefit Formula	DB Employee Contributions	Maximum Benefit Applies	Defined Contribution Plan	DC Plan Employer Contributions	DC Employee Contributions
U. of California	Highest 3-year average	2.5% HAP less $1,596 (if coordinated with social security) x svc (max 40 yrs)	2% pay to SSWB + 4% pay over less $228 (if coord with SS) (pretax)	Age 60	Unmatched savings Tax-sheltered annuity 403(b)	None None	 Up to IRS limits (pretax)
Harvard	None (Frozen 7/1/95)	--	--	--	Noncontributory savings Unmatched savings 403(b)	<age 40: 5% to SSWB + 10% over; age 40+: 10% to SSWB + 15% over None	None Up to IRS limits (pretax)
M.I.T.	Cash Balance	5% of pay	None	Age 65	Savings	$1.00 per $1.00 match	Match 1% to 5% of pay; Up to 95% total (pretax)
Stanford University	None	--	--	--	Noncontributory savings Savings	1% pay at 1 yr svc, 2% at 2 yrs, 3% at 3 yrs, 4% at 4 yrs, 5% at 5+ yrs $1.50 per $1.00 on 1st 2% of pay, $1.00 per $1.00 on next 2% of pay	None Match 1% to 4% of pay (pretax or posttax); Up to IRS limits (pretax)
SUNY Buffalo	Highest 3-year average (one-time election of DB or savings)	By service at termination: <20 yrs: 1.67% HAP x svc; 20+ yrs: 2% HAP x svc over 20 yrs	3% of pay	Age 62	Savings Unmatched savings 403(b)	Based on svc: <8 yrs: 8% of pay, 8+ yrs: 10% of pay None	3% required Up to IRS limits (pretax)
U. of Illinois	Highest 4-year average (one-time election of DB or savings)	2.2% HAP x svc (max 80% HAP)	8% of pay (pretax)	Age 60 or 35 years	Savings 403(b) Unmatched savings 403(b), 457(b)	7.1% of pay (employee must contribute) None	8% (pretax) Up to IRS limits (pretax)
U. of Michigan	None	--	--	--	Savings 401(a) Unmatched savings 403(b), 457(b)	10% of pay (5% to SSWB + 10% over if in optional plan) None	5% (optl: 5% over SSEL if mandatory cvg) (pretax) Up to IRS limits (pretax)
U. of Virginia	Highest 5-year average	1.7% HAP x svc	5% of pay	SSNRA or age 60 + 90 points	Savings 403(b), 457(b)	$.50 per $1.00	Match up to $40/mo; Up to IRS limits (pretax)

Comparator 8 Retirement Plan Offerings for Nonexempt Staff

Institution	Defined Benefit Plan	DB Plan Basic Benefit Formula	DB Employee Contributions	Maximum Benefit Applies	Defined Contribution Plan	DC Plan Employer Contributions	DC Employee Contributions
Yale	Highest 5-year average (one-time election of DB or savings)	1.5% HAP up to $38k, 1.4% from $38k-$70k, 1.3% over $70k x svc	None	Age 65 or age 60 + 25 years	Savings 403(b)	$1.00 per $1.00 (employee must contribute)	Match 2% of pay, 4% of pay if age 45 & 5 yrs; Up to IRS limits (pretax)

Overview of UC communications regarding retirement benefits and the Post Employment Benefits Task Force

For the past several years, the Office of the President has been conducting an extensive communications program regarding UC's dual challenge of maintaining, while also adequately funding, its retirement benefits – benefits that are recognized as being among the best available and that play an important role in UC's recruitment and retention efforts. The focus of this effort has been to help educate the UC community about these challenges and the actions needed if UC is to sustain quality benefits over the long term, such as restarting contributions to the UC Retirement Plan (UCRP) and considering potential benefits changes. This communications program has included websites, news articles in employee and retiree newsletters, a series of 64 discussion forums with meetings at every campus, regular informational updates, numerous interviews with external news media, and other activity, both at the system and local level. The following information provides an overview of this effort, and the communications activities planned for the months ahead in connection with the release of and ultimate action on the recommendations of the Post Employment Benefits Task Force.

UC retirement benefits communications: 2006 - 2010

In 2006, UCOP began a comprehensive, years-long communications program to educate the UC community and the public about the challenges of maintaining quality retirement benefits in the face of rising costs, a declining pension fund surplus, a growing retiree population, and other related factors, and the need to restart UCRP contributions. This program is ongoing and includes:

- UCRP website -- provides employees, retirees, media and other interested parties a single source of information. Website features include employee updates on Regents' actions, questions and answers, background information about UCRP.
- News articles in various systemwide publications, including employee and retiree newsletters and posted online to the UCOP At Your Service website.
- Local updates to employees by campus HR offices
- Factsheets, flyers and other educational materials


UNIVERSITY of CALIFORNIA

The Future of the UC Retirement Plan

Restart of UCRP Contributions

Employee Updates
Regents Actions
Q&A
UCRP Annual Report
General UCRP Info
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Retirement Benefits Are an Important Part of UC's Total Compensation

The pension and health benefits UC offers retirees, their dependents, beneficiaries and survivors play a critical role in the University's efforts to recognize the contributions of its employees in serving the needs of the public. These benefits also are an important component in attracting and retaining high-quality faculty and staff to the University.

Maintaining a financially sound retirement plan and quality retiree health benefits is a top priority for UC. However, as UC pension and retiree health benefit costs continue to increase substantially, sustaining these benefits is increasingly difficult with each passing year.

Accordingly, UC has launched two initiatives to help the University develop options for addressing the range of issues associated with sustaining retirement benefits:

- Restart of Contributions to UCRP
- Post-Employment Benefits Task Force

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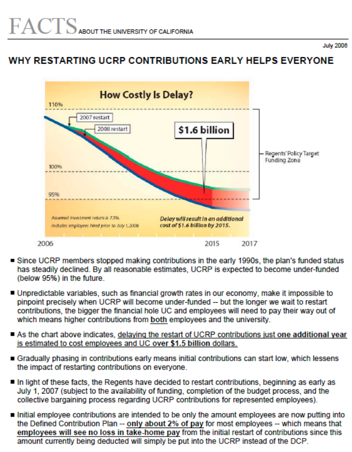
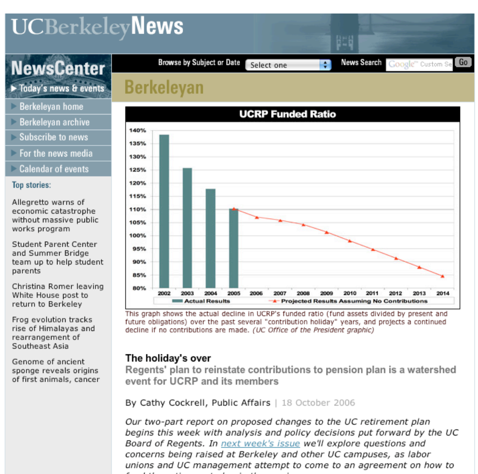

FACTS ABOUT THE UNIVERSITY OF CALIFORNIA

July 2006

WHY RESTARTING UCRP CONTRIBUTIONS EARLY HELPS EVERYONE

- Since UCRP members stopped making contributions in the early 1990s, the plan's funded status has steadily declined. By all reasonable estimates, UCRP is expected to become under-funded (below 95%) in the future.
- Unpredictable variables, such as financial growth rates in our economy, make it impossible to pinpoint precisely when UCRP will become under-funded -- but the longer we wait to restart contributions, the bigger the financial hole UC and employees will need to pay their way out of which means higher contributions from both employees and the university.
- As the chart above indicates, delaying the restart of UCRP contributions just **one additional year** is estimated to cost employees and UC **over $1.5 billion** dollars.
- Gradually phasing in contributions early means initial contributions can start low, which lessens the impact of restarting contributions on everyone.
- In light of these facts, the Regents have decided to restart contributions, beginning as early as July 1, 2007 (subject to the availability of funding, completion of the budget process, and the collective bargaining process regarding UCRP contributions for represented employees).
- Initial employee contributions are intended to be only the amount employees are now putting into the Defined Contribution Plan -- **only about 2% of pay** for most employees -- which means that **employees will see no loss in take-home pay** from the initial restart of contributions since this amount currently being deducted will simply be put into the UCRP instead of the DCP.
- When it comes to restarting contributions, starting early at lower levels benefits everyone.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Berkeleyan

This graph shows the actual decline in UCRP's funded ratio (fund assets divided by present and future obligations) over the past several "contribution holiday" years, and projects a continued decline if no contributions are made. *(UC Office of the President graphic)*

The holiday's over

Regents' plan to reinstate contributions to pension plan is a watershed event for UCRP and its members

By Cathy Cockrell, Public Affairs | 18 October 2006

Our two-part report on proposed changes to the UC retirement plan begins this week with analysis and policy decisions put forward by the UC Board of Regents. In next week's issue we'll explore questions and concerns being raised at Berkeley and other UC campuses, as labor unions and UC management attempt to come to an agreement on how to fund the retirement plan in the coming years.


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Mar 21, 2006 • By AJAY SINGH Print this Page Mail this Page

Contributions to resume

The UC Board of Regents has approved the resumption of contributions to the University of California Retirement Plan (UCRP), authorizing a multi-year contribution strategy set to begin July 2007, subject to the completion of the budget process.

The regents voted unanimously for the measure March 16 while meeting at UCLA. They took several specific steps to adequately fund the UCRP, thereby ensuring retirement benefits for all members while avoiding the severe funding problems that have plagued other retirement plans across the country in recent years.

The regents approved the long-term, targeted funding of 100% for the UCRP — assuring that the plan will have sufficient assets to cover its liabilities. Without such funding, consultants told the regents, the plan would run into trouble by 2009. Further, the regents agreed that in order to maintain a 100% funding level amid unpredictable market fluctuations, both university and UCRP member contributions will be within a range of 95% to 110%.

This is the first time since 1990 that contributions to the UCRP will be made. In that year, thanks to prudent management that built up a surplus, the regents suspended all university and UCRP contributions. Instead, they redirected 2% to 4% of an employee's covered pay to a supplementary retirement fund called the Defined Contribution Plan. (The regents have not decided whether employees will continue those contributions.)

Now, however, the situation has changed. The UCRP surplus has been on the decline, and the plan is in danger of being underfunded.

Although the precise amounts of funding have yet to be determined, the regents authorized that contributions by the university and the employee will gradually increase to cover 16% of his or her gross monthly earnings, which has been the annual cost of funding the plan in recent years.

An advisory group to UC President Robert C. Dynes is currently evaluating a multi-year contribution strategy to help reduce the financial impact on employees. In May, the regents are expected to make specific recommendations on the reinstatement of contributions. In particular, they will consider how costs will be shared between active UCRP members and the university.
For represented employees, the reinstatement of contributions will be subject to the collective bargaining process. For details, see www.universityofcalifornia.edu/news/ucrpfuture/welcome.html.

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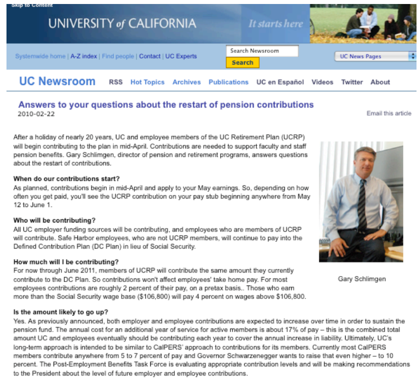
Communications ramp-up regarding restart of UCRP contributions: Beginning late in 2009, communications on the restart of UCRP contributions began on a monthly basis in preparation for the restart in May 2010. In addition to UCOP articles and website information, communications to employees also included email updates from and presentations by local human resources offices, and news articles from campus communications offices.



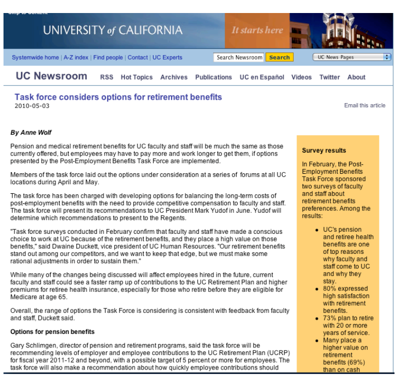
Communications about the Post-Employment Benefits Task Force

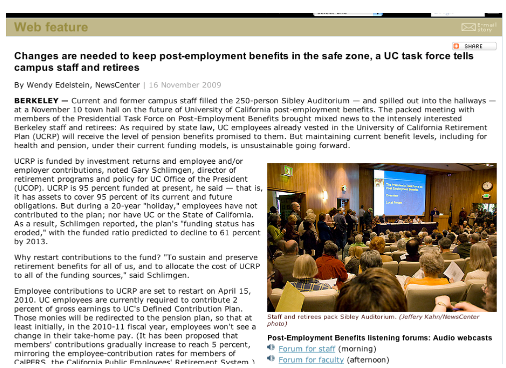
Following the creation of the Post-Employment Benefits Task Force in the spring of 2009, UCOP expanded its retirement benefits communications efforts to include information focused specifically on the work of the Task Force. Elements of this expanded campaign include:

- PEB website: with background information, employee Q&A, narrated forum presentations, survey data, news articles and mechanism for faculty and staff to provide feedback and ask questions. **NOTE: This site was viewed more often than any other UC news site or news article as of July 31, 2010. www.universityofcalifornia.edu/news/ucrpfuture/emp_task.html

- PEB news articles disseminated in various systemwide and campus publications, including employee and retiree newsletters and posted online to UCOP websites.

- Comprehensive series of local discussion forums conducted in Fall 2009 and Spring 2010. Total of 64 two-hour presentations with meetings at all UC locations, most with webcasts. Included task force member and local leadership participation, and extensive audience Q&A.





Expanded benefits communications for 2010 and beyond

Given the importance of, and anticipated discourse around, the discussions and actions this fall concerning UC retirement benefits, UCOP is further expanding its communications efforts. This program includes expanded communications not only with the internal UC community, but also includes proactive outreach to external news media. This expanded program is expected to run throughout the remainder of 2010 and well into next year.

1: Expanded internal communications

The prospect of changes to benefits often invokes anxiety and confusion among employees. It also can spark criticism from certain stakeholder groups. Providing timely, accurate, candid and useful information will help employees and others understand the changes and the context for them. Beginning in early August, UCOP will publish an expanded calendar of stories that explains and contextualizes proposals, and reports on leadership discussions and actions. Additionally, UCOP is reaching out to the Academic Senate, Staff Advisors, local staff assemblies, UC retiree groups and other internal groups to expand internal distribution in order to help ensure that faculty and staff receive timely information and understand how they can stay informed about, and engage in, the process.

The following editorial calendar outlines some of the stories UCOP will be publishing over the coming months. The goal is to give employees information that is responsive and timed to important events.

AUGUST

- Story: Task Force Issues Recommendations.
- Sidebar: What UC/employees contribute now; what's proposed – how UC and its proposed contribution levels compare to pension systems (e.g., CalPERS). Comparative chart.
- Sidebar: Explainer piece on the proposed pension tier for new employees.
- Collateral materials: Includes PEB "primer" (overview of issues/recommendations), website with links to full PEB report; PEB survey; Fall & Spring PEB presentations).

SEPTEMBER

- **Pre-Regents**
  Story: Overview of items slated for September Regents' meeting – story will include information about how recommended changes will allow UC to maintain a competitive pension and retiree health package.
  Sidebar: What's next: Overview of items scheduled for future Regents' meetings.
  Fact Sheets: Single page explainers on each PEB recommendation.
- **Regents' Meeting**
  Story: Live coverage of September Regents' meeting, including discussion of UCRP contributions and recommended changes to assumptions about how pension liabilities are calculated.
- **UCOP Systemwide Web Town Hall on Employee Benefits**
  Sept. 29 – Provost Lawrence Pitts, Executive Vice President Brostrom and Vice President Duckett are among the panelists at an online, interactive town hall meeting to talk about health insurance premiums, post-employment benefits, and other topics.

OCTOBER

- Story: Feature story targets most frequently asked questions and any prevalent misinformation
- Collateral materials/possible webchats on each recommendation
- Possible subsequent reaction story/video -- "What Faculty and Staff are Saying".

NOVEMBER

- **Pre-Regents**
  Story: Employee costs rise; comparison of how UC benefits stack up to other employers
  Sidebar: What's next: Overview of items scheduled for future Regents' meetings.
- **Regents' Meeting**
  Story: Live coverage of November Regents' meeting, including Regents' vote on UCRP contribution levels.

DECEMBER and beyond

- Ongoing stories concerning the implementation of approved changes.

2: <u>Expanded outreach to external news media</u>

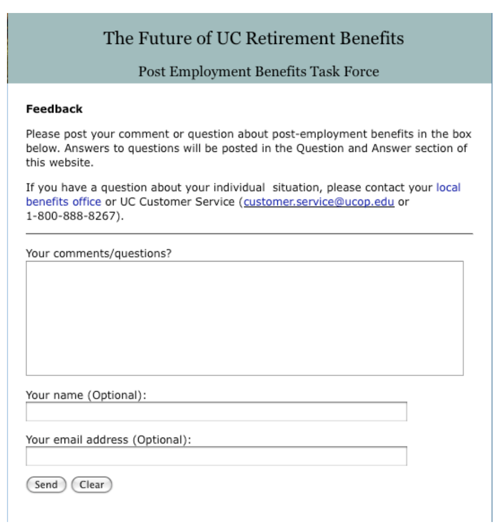
Although the majority of UC's communications will focus on internal audiences, news media will inevitably cover aspects of this issue, especially since it is expected to be on the agenda of the next few Regents' meetings. Indeed, several news outlets have already expressed interest in this topic. UCOP intends to proactively reach out to select news media in the hope that news stories and editorials from unbiased outlets will help explain and contextualize the issues for UC personnel and others. Elements of this effort will include interviews with key UC leaders, expert consultants, and faculty and staff members, and editorial board visits by UC leaders. Media that UC has identified for this effort include:

- The Chronicle of Higher Education
- Wall Street Journal
- Sacramento Bee
- Los Angeles Times
- New York Times
- Associated Press
- Bay Area Media Group
- Broadcast media outlets in key markets

3: <u>Expanded mechanisms for open dialogue for the internal UC community</u>

Disseminating timely information in written form throughout the decision-making process will be important, but it will also be important to continue to provide mechanisms for open dialogue with and among the members of the internal UC community. Faculty, staff and retirees will be impacted by decisions, and maintaining avenues for open discussion will help them understand recommended changes and the reasons behind leadership's decisions. The approach used for the 2009-10 systemwide furlough plan is a good example of how open and candid dialogue can help people understand the administration's decision-making process, and also help them to feel included.

Accordingly, UCOP intends to create additional mechanisms that allow for input from and among internal stakeholders. The **systemwide web town hall** with senior administrative leadership scheduled for late September – the first of its kind for UC – is one such mechanism, and UCOP is exploring additional mechanisms such as **expanding the online UCRP website employee feedback feature** to be more interactive and communal; **online web chats** and **webinars**; the possibility of an interactive, **moderated site**; and **additional web town halls**.



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