The Regents of the University of California

COMMITTEE ON FINANCE
March 23, 2016

The Committee on Finance met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Blum, Davis, Gould, Island, Kieffer, Makarechian, Ortiz Oakley, and Reiss; Ex officio members Lozano, Napolitano, and Varner; Advisory members Hare and Ramirez; Staff Advisors Acker and Richmond

In attendance: Regents De La Peña, Elliott, Gorman, Lansing, Oved, Pattiz, Pérez, Sherman, and Zettel, Regents-designate Brody and Schroeder, Faculty Representative Chalfant, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice President Henderson, Vice Presidents Budil and Duckett, Chancellors Block, Blumenthal, Dirks, Gillman, Katehi, Leland, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 11:20 a.m. with Committee Chair Kieffer presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of January 20, 2016 were approved.

2. **RECOMMENDATION FOR NEW UNIVERSITY OF CALIFORNIA RETIREMENT PROGRAM**

The President of the University recommended that the new retirement program, described in detail in Attachment 1, be approved. A list of eligible faculty employees is included in Attachment 2.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer began the discussion by remarking that the Regents were committed to governing the University in a way that would maintain both the excellence and the long-term financial stability of the institution. It is not always easy to balance these two essential considerations. As part of a broader effort to ensure UC's long-term financial stability, and consistent with the 2015 budget agreement between UC and the State of California, which would provide $1 billion in annual and one-time funding over four years, the Regents would consider this item, a new retirement program for UC employees hired on or after July 1, 2016. The intention is to implement the State's pensionable salary cap (the California Public Employees' Pension Reform Act or PEPRA cap) in a manner consistent with the goals of excellence and long-term financial stability. The University of California was not the only institution currently reviewing its retirement program. By undertaking this important reform, the University would be ensuring the stability of the UC Retirement Plan (UCRP) for future generations of faculty and staff. Committee Chair Kieffer expressed his conviction that this action was appropriate and that this was the right time for this action.

President Napolitano explained that the current item proposed important changes to the UCRP. These changes reflected difficult choices that must be made to ensure UC's long-term financial stability and academic excellence. She reviewed the options before the University the previous year when it began the discussions that had led to the current proposal. As part of UC's budget agreement with the Governor and Legislature, the University agreed to certain reforms. Specifically, UC made a commitment to implement a cap on pensionable salaries stipulated in PEPRA. The previous summer, President Napolitano had appointed a Retirement Options Task Force including faculty and staff representation to examine how best to implement these pension reforms within the context of UC's budget and workforce needs. The Task Force presented recommendations in December 2015. The recommendations were posted on January 15, 2016 and there was a public comment period until February 15. Among the comments received, some suggested that UC reject the PEPRA cap altogether. President Napolitano cautioned that rejecting the PEPRA cap would mean rejecting the entire budget agreement with the Governor and Legislature and nearly $1 billion in additional State funding. This was not a negotiable point.

In the proposed action, UC would implement the PEPRA cap, currently set at $117,020. The cap would apply to pensionable salary for future UC employees hired on or after July 1, 2016. It would not apply to current employees and retirees. The proposed action would also offer a choice for future UC employees between a traditional defined benefit plan with a 401(k)-style supplement, or hybrid plan, and a new stand-alone 401(k)-style plan, a defined contribution plan. Instituting the hybrid plan with the PEPRA cap and offering a new stand-alone defined contribution plan would result in significant savings for the University, estimated at $99 million annually, on average, over the next 15 years. The proposed changes would also lower the cost structure of the UCRP, reduce the risk to UC, and ensure that UC can pay off its unfunded pension liability more quickly. Offering a choice between the hybrid plan and the defined contribution plan would provide employees with more flexibility. UC's workforce comes from different competitive labor markets. This is one reason for the differences in the hybrid plan for staff and faculty. The proposed action would also address recruitment and retention of faculty and critical staff, as well as continued improvements to students' educational experience.

President Napolitano stressed that this proposal represented a clear shift from the type of retirement benefits offered to UC employees in the past. The President and the UC administration were not proposing these changes lightly. They were being proposed with an awareness of the need for UC and its employees to adjust to current budget realities and to the expectations of the people of California. Retirement benefits are a key component of compensation for faculty and staff, but not the only component. President Napolitano stated that following adoption of the new program she would present recommendations for UC's salary competitiveness to meet the institution's long-term needs.

Faculty Representative Hare noted that he and Faculty Representative Chalfant had served on faculty committees concerned with retirement plans since the idea of a capped pension plan emerged several years earlier. They shared President Napolitano's view that some form of the PEPRA cap for the UCRP was inevitable. The concept of a 401(k)-style supplement to partially compensate for the PEPRA cap seemed helpful, but design and implementation of the supplement were challenges. The effect of a cap would be to reduce the proportion of replacement income in retirement by greater and greater amounts as salaries increase above the cap. Therefore, the effect of the supplement on retirement income must also vary with starting salary. Mr. Hare expressed the Academic Senate's concern, based on data provided for the Retirement Options Task Force, that the supplement would be too small for employees with salaries above the PEPRA cap, with too little time for the investment to grow before retirement. The Academic Senate requested that contributions to the supplement begin on the first day of hire and with the first dollar earned, and this was adopted by President Napolitano, addressing Academic Senate concerns.

Excluding highly compensated disciplines such as business, economics, engineering, and the health sciences, UC systemwide median starting salaries for assistant professors was about $76,000 in 2015. The proposed Option 1 would allow assistant professors hired on or after July 1, 2016 in most disciplines, in the humanities, social sciences, and non-medical life sciences to have an opportunity to receive about the same replacement income in retirement as their colleagues hired under the 2013 Tier. This should allow those departments to be no less competitive than now in faculty recruitment. The five-percent UC contribution to the supplemental defined contribution plan would not fully compensate for the PEPRA cap for new faculty members whose starting salaries are substantially above the median. Departments in highly compensated disciplines should expect more difficult recruitment under the 2016 Tier, and a need to offer more competitive salaries. Current assumptions about UCRP returns might not be reasonable, from hiring to retirement, under current economic conditions. Employees in the 2016 Tier would assume the risk of managing the defined contribution portion of their retirement portfolio. Therefore, there was a real possibility that employees hired in the 2016 Tier would jeopardize their retirement income as a result of poor investment decisions or shortfalls in earnings assumptions. The Academic Senate could provide qualified support for Option 1, but it could not be as supportive of the full defined contribution option. The eight-percent employer contribution was less generous than the recommendations of the Retirement Options Task Force, and below that of most of UC's comparator institutions. The expected retirement benefits would be too low to encourage faculty to retire at age 65 or even at age 70. Although the portability and shorter vesting period in the proposed plan would benefit short-term employees, this plan would likely be unattractive to a committed UC career employee. The Academic Senate supported the opportunity for a second choice for employees who had elected the defined contribution plan so that they can switch to Option 1 if their relationship with UC becomes stronger. Mr. Hare concluded that in his view, the proposed options were the least harmful to UC of all those that had been considered. He cautioned against considering any plans that were less generous and which could do great harm to UC's ability to recruit and retain outstanding faculty. He welcomed President Napolitano's proposal to address the issue of salary competitiveness for all employees.

Chairman Lozano recalled that through the budget agreement with the Governor and the Legislature, the University was committed to developing a set of retirement options that are financially prudent, oriented toward long-term sustainability of the University, and that would allow effective recruitment and retention of outstanding faculty and staff. She expressed her confidence that the proposed options would promote these three objectives. Not only would the University gain savings, $99 million annually, on average, over the next 15 years, but UC could redirect those savings toward paying down the unfunded UCRP liability, which is a tremendous burden on the long-term financial health of UC. She recalled that under the proposed action the benefits of current employees and retirees would not be affected. The recommendations were consistent with the practices of other institutions of higher education across the U.S. and she expressed strong support for them.

Executive Vice President and Chief Operating Officer Nava began her discussion by stating that the overarching goal of the new retirement program is to maintain UC's excellence and to sustain its long-term financial health, including the health of the UCRP. The new program would result in savings for UC and greater choice for new employees. By implementing a new cap on pensionable income for future employees in alignment with the State's PEPRA cap, UC would reduce its long-term pension costs by 16 percent. This action would also reduce UC's risk and facilitate shared responsibility between UC and employees for retirement, including retirement counseling. The proposal included retirement counseling for all employees.

Another important priority is addressing overall compensation, particularly for faculty. UC competes in a global market for faculty with elite private institutions that can pay more. Pension benefits are one important part of compensation. To address this market, the new program included a 401(k)-style supplement in addition to the pension benefit with the PEPRA cap. The new program would address recruitment and retention of faculty and critical personnel, and would expand the University's home loan program. Another priority is to improve the student experience. The program included measures to enhance undergraduate educational experience and to bolster graduate student support.

The 2015-16 budget agreement with the State had launched a new period of financial stability for UC. The agreement includes nearly $1 billion in new revenue and one-time funding extended over the next several years. The $1 billion includes a four-percent annual increase to UC's base budget over four years, totaling $507 million. This would enable UC to provide stability and predictability for students and families, to keep resident tuition level through 2016-17, to expand programmatic innovations for student success, and to provide regular, merit-based salary increases for faculty and staff. In addition, UC would receive $436 million in Proposition 2 funds over three years to help pay down the unfunded UCRP liability and $25 million to support the enrollment of 5,000 additional California undergraduates in 2016-17. As part of ensuring the University's long-term fiscal health, UC agreed to implement a cap on pensionable salary to mirror the State's PEPRA cap for UC employees hired on or after July 1, 2016.

Ms. Nava then presented a chart with information about 26 comparator institutions that was used in developing the proposed new program for UC. Among the 26 institutions there were four primary models for retirement programs: a pension-only plan, a 401(k)-style-only plan, the choice of a pension or a 401(k) plan, or a combination of pension and 401(k). From a plan design perspective, UC's retirement offerings under the 1976 and 2013 Tiers place it in the minority of comparator institutions – only six of the 26 offer a plan with pension only. With the proposed new program, UC would join the largest segment of comparator institutions by offering a choice between a pension benefit and a stand-alone 401(k)-style benefit. Ten of the 26 comparator institutions offer this kind of program. Among the 16 institutions that offer any type of pension plan, UC offers the highest age factor when the benefit is based on final pay at 2.5 percent. Designs among the 26 comparator institutions that offer a choice vary considerably, but generally, the stand-alone 401(k)-style benefit is competitive for shorter service periods, whereas the pension plan design is more competitive for longer periods of service.

Ms. Nava explained the two new retirement options for employees hired on or after July 1, 2016. New employees would have a choice of two options. Option 1 is a pension plan with the PEPRA cap, set at $117,020, with a supplemental defined contribution plan. The defined contribution plan would cover pensionable income up to the Internal Revenue Service (IRS) limit, currently $265,000. There would be a difference in the supplemental defined contribution plan for faculty and staff. For an eligible faculty member, there would be a five percent UC contribution on all pay up to the IRS limit. This was a higher benefit than recommended for faculty by the Retirement Options Task Force. The differentiation of faculty and staff reflected the fact that UC competes for faculty in a global marketplace, frequently against elite private research institutions that can pay more in cash compensation. This higher faculty benefit reflects faculty's position at the top of their fields, in teaching, in research, and in maintaining UC's position as the nation's preeminent public research university. For staff and other academic positions there would be a three-percent UC contribution on all pay above the PEPRA cap and up to the IRS limit. This was a lesser benefit than recommended for staff by the Retirement Options Task Force. However, the three-percent supplement would put UC staff at a competitive advantage relative to other State employees. It reflected the fact that UC recruits staff in a regional marketplace. Ms. Nava affirmed that the great majority of future staff and other academic appointees would not see any difference in their benefits compared to current employees, as 84 percent earn below the PEPRA cap. Option 2 is a new stand-alone defined contribution plan. The University's contribution to that plan would be eight percent on all pay for both faculty and staff up to the IRS limit of $265,000.

The employee contribution for both options would be seven percent, pre-tax, up to the IRS limit, in line with the recommendations of the Retirement Options Task Force. UC would continue to make contributions to the unfunded liability in the UCRP, a six-percent contribution for the pension plan up to the PEPRA cap and a six-percent contribution for members who elect Option 2 and the stand-alone defined contribution plan. The initial selection period would be 90 days from the date of hire. If after 90 days an employee had not selected either Option 1 or Option 2, that employee would be assigned to Option 1 by default. The vesting period for Option 1 would be five years of UCRP service credit, like the current 1976 and 2013 Tier vesting periods. For employees who select Option 2, vesting would occur one calendar year from the eligibility date. The new program would offer a second choice window period for employees who select Option 2 when they first join UC and later in their career may want to participate in Option 1. For staff, this window would extend for five years after the date of hire. For ladder-rank faculty, this period would extend for one year after their tenure decision. For lecturers and senior lecturers, the period would extend for one year after they achieve security of employment.

Executive Vice President and Chief Financial Officer Brostrom continued the discussion by emphasizing again that only employees hired on or after July 1, 2016 would be affected by the proposed changes. He presented a chart with information about UC employees as of July 1, 2015. Roughly 79 percent of UC employees have salaries below the PEPRA cap, and 21 percent above. About one-third of employees with salaries above the PEPRA cap are faculty members, while two-thirds are staff. Nurses account for about a quarter of current employees above the PEPRA cap.

The proposed new program would strengthen UC's long-term financial health in four distinct ways. First, it would result in significant cash flow savings in the coming years. As current employees retire and new employees are hired, pension costs would decrease. This process would begin slowly, but the University projected that over 15 years the average annual savings would be $99 million. Thirty-four million dollars of that amount would be redirected to the supplemental defined contribution plan, $56 million would be used to address the UCRP's unfunded liability, and $9 million would reduce campus costs. Second, there would be a reduction in the University's long-term cost structure. After the current generation of employees retires, a period as long as 25 to 30 years, the annual UCRP cost would be lower than that for the 2013 Tier by 16 percent. Since costs for the 2013 Tier are lower than costs for the 1976 Tier, the long-term costs would be nearly 30 percent lower than current UC pension costs. Third, the new plan would lower the UCRP unfunded liability and result in full funding four years earlier than recommended by the Retirement Options Task Force. Fourth, the proposed changes would reduce the financial risk to UC. By applying the PEPRA cap, the University would lower the percentage of covered compensation in its defined benefit plan, regardless of how many employees choose the stand-alone defined contribution option. Currently, 13 percent of UC's covered compensation is above the PEPRA cap.

Mr. Brostrom presented a chart displaying long-term reductions in pension costs for UC, including the current and projected normal cost for all pension tiers. He explained that the normal cost represents the amount that UC must contribute simply to cover its pension obligations every year. In the most recent year, the normal cost for all members was 10.5 percent of covered payroll. The normal cost for the 2013 Tier is 8.6 percent, while the projected normal cost for the prospective 2016 Tier would be 7.4 percent. From the current payroll of roughly $10 billion, this would represent a $300 million reduction in cost, introduced over a long period of time. The projected normal cost for all pension tiers would decrease and over the next 12 years would approach the normal cost for the 2013 Tier, as more members of the 1976 Tier retire. It would take another 15 years or more beyond that point to decrease to the level of the 2016 Tier, when every employee in the 1976 and 2013 Tiers has retired.

The current employer contribution to the UCRP was 14 percent of payroll, 10.5 percent to cover the normal cost and the balance for the unfunded liability. The University has borrowed from the Short Term Investment Pool (STIP) to reach the Annual Required Contribution (ARC). ARC is the amount the University must contribute to achieve full funding in 30 years. In 2016, 2017, and 2018, the University expects to receive $436 million in State funds under Proposition 2 to cover some of the ARC and reduce the amount of STIP borrowing. The ARC was projected to decrease in coming years and it would decrease at a faster rate because of the new and lower normal cost. Future pension costs would be nearly 30 percent lower than current costs and this would reduce UC's financial risk significantly. The 13 percent of UC's covered compensation currently above the PEPRA cap would no longer be covered by a defined benefit plan.

Staff Advisor Acker expressed appreciation for the fact that UC had stabilized merit-based pay for non-represented staff over the next few years. She emphasized that if the proposed new program were approved, the University would be making a clear delineation for the first time between staff and faculty retirement benefits. This would be a significant change. The PEPRA cap affects only 16 percent of staff, but the proposed changes would send a message to all staff. Most members of the Retirement Options Task Force were in favor of maintaining the same benefits for all employees. She stated her impression that faculty did not support differential benefits for faculty and staff. Many staff members were experiencing increased workloads. The University's three-percent contribution to the supplemental defined contribution plan for staff would begin only when the employee reaches the PEPRA cap, sometimes late in a career. Some staff members whose salaries would never exceed the PEPRA cap had said that this plan with differential benefits was disrespectful to them. The new program would hurt UC's ability to recruit and retain new employees with specialized skills. Such employees were being lost to the private sector and to private institutions. She voiced concern that this program would set a precedent for more differential benefits in the future. Ms. Acker asked what savings UC would gain by offering staff a lesser retirement option. Mr. Brostrom responded with his conviction that the proposed program was a competitive plan for staff. The differentiation between faculty and staff recognized the different labor markets for the two categories. The main reason for the differentiation was cost and the need to control long-term costs. Offering the same benefits in this instance for faculty and staff would add $161 million to the cost of the supplemental defined contribution plan. He acknowledged that this was the first differentiation UC was making in pension benefits but noted that UC already offered differential benefits in other areas, such as health benefits. The amount of employee contributions to health benefits is based on income level.

Regent Gould stressed that the UCRP had represented the most significant financial risk for the University over the past decade. UC had addressed this by increasing both employer and employee contributions to begin to face the retirement program's unfunded liability. The Governor's agreement to contribute over $1 billion, contingent upon implementation of the PEPRA cap, reflected a realization that further action needed to be taken for the financial stability of the University. UC would receive $436 million in State funds to address the unfunded liability. The University had struggled for years to make the State recognize its responsibility to address this liability. The agreement with the Governor and Legislature was remarkable. The choice of options in the proposed new programs was consistent with UC's peer institutions. He acknowledged the differentiation between faculty and staff, but stressed his view that staff would still receive competitive compensation and benefits relative to State employees, and that staff were treated fairly under this proposal. This plan would put UC on a path of financial stability which would allow UC to keep tuition as affordable as possible and maintain student access.

Regent Makarechian asked about the current and projected funding status of the UCRP. Mr. Brostrom responded that the UCRP was currently 83 percent funded on a market value of assets basis and 81 percent funded on an actuarial value of assets basis, which takes into account five-year smoothing. The University projected that the UCRP would be 90 percent funded by 2025 and fully funded by 2041.

Regent Makarechian referred to Mr. Brostrom's earlier statement about projected average annual savings of $99 million over 15 years and to information provided in the background materials according to which annual cash outlay for new hires would decrease from $655 million under the 2013 Tier to $640 million, average annual savings of $15 million. He asked which figure was correct. Mr. Brostrom responded that the $99 million was an average over 15 years; this process would begin slowly with employee turnover. The net savings would be about $56 million because UC would contribute $34 million to the supplemental defined contribution plan. Most of the $56 million would be used to fund the unfunded liability. The remaining smaller amount of $9 million represented savings that the campuses would benefit from directly. The projection of average annual savings of $15 million was taken from the recommendations of the Retirement Options Task Force.

Regent Makarechian asked what portion of the employer contribution would still go to the UCRP under Option 2. Mr. Brostrom responded that the University would still contribute six percent to the unfunded liability of the UCRP. Regent Makarechian observed that the employee would not benefit from this contribution, and Mr. Brostrom confirmed this. Regent Makarechian asked about the rationale for this arrangement. Mr. Brostrom explained that the University wished to avoid any destabilization of the defined benefit plan. By requiring the same employer contribution, UC can ensure that the defined benefit plan would remain robust, regardless of how many employees choose Option 2 and the stand-alone defined contribution plan. The University asked Segal Consulting, the Regents' consulting actuary, to analyze the stability of the defined benefit plan under a variety of scenarios. Segal representative John Monroe stated that Segal had examined the effect that offering a stand-alone defined contribution plan would have on the stability of the UCRP. The fact that the University would make a six-percent contribution toward the UCRP's unfunded liability, whether an employee selects Option 1 or Option 2, was an important factor in ensuring that there would be no significant adverse impact to the UCRP.

Regent Makarechian referred to the chart showing the retirement program plan types offered by the 26 comparator institutions. He asked for a list the ten institutions that offer either a pension or a 401(k). Ms. Nava responded that the comparator institutions include the Universities of Michigan, Illinois, Minnesota, and Washington, the State University of New York, the Massachusetts Institute of Technology, Harvard, Yale, and Stanford. The data came from Mercer Consulting and were "blinded" so that UC does not know which ten of the 26 offer that option. It is known that Stanford offers a 401(k) option to its employees, with an employer contribution of ten percent. Regent Makarechian stated that it would be desirable to know which ten institutions these were.

Regent Blum observed that UC has generally offered a very generous retirement plan but its salaries have been lower than those offered by competitor institutions. He asked about UC's assumptions regarding faculty recruitment and retention, if UC were to remove the advantage of a generous retirement plan. He stated that there would have to be some offset for faculty and asked what that might cost. Ms. Nava acknowledged that base compensation is a critical factor in the decision by a faculty member to join or remain with UC. Pension and benefits are also critical factors. Beyond compensation, there are other reasons why faculty leave the University or stay, including institutional prestige, cash compensation, and the strength of the faculty member's department. UC has examined retention rates for faculty. Compensation would be a critical issue in the future. President Napolitano stated that after the new program was adopted she would provide the Regents with analysis on how to proceed with salary issues for faculty and critical staff. The University did not yet have a model and associated figures. The University knows that its salaries are below market, but UC's data are median and average systemwide numbers, not the kind of data needed to indicate precisely in which cases UC needs to be more competitive.

Regent Ortiz Oakley observed that unfunded liability is a major concern for school districts, community colleges, and the California State University, as well as for UC. He asked if the University was confident of receiving IRS approval for the second choice window period in the new program. Executive Director Gary Schlimgen responded that many employers and retirement plans have received permission from the IRS to offer this kind of second choice option. It is not codified in law, so UC needs to receive a private letter ruling from the IRS. Regent Ortiz Oakley asked if such a private letter ruling had been issued for another public university system in the past. Mr. Schlimgen responded in the affirmative.

Regent Ortiz Oakley requested clarification of what was meant by a “401(k)-style” program, and what other options UC had considered. Mr. Schlimgen responded that UC found that offering a 401(k)-style plan for some employees was more desirable than trying to differentiate between a defined benefit and a defined contribution option. The University would place the employer and member contributions for Option 2 into the defined contribution plan. The participant could immediately invest these contributions in all the funds UC has available, offered by the Office of the Chief Investment Officer. The participant would become vested in one year. The investment platform is the same for all three UC retirement savings programs, the defined contribution plan, the 403(b) plan, and the 457 plan.

Regent Ortiz Oakley asked how the University would educate employees about their fund management options and make it as simple as possible for employees to gain adequate returns on their investments. Mr. Schlimgen responded that UC provides a great deal of financial education for employees, but it would need to enhance this education, providing robust information upon hire so that employees can make an informed choice. Vice President Duckett added that UC would be increasing the number of training courses offered systemwide. Training would explain the new program and its options and allow employees to judge the suitability of either option.

Regent Ortiz Oakley asked about the unfunded liability for UC health benefits. Mr. Brostrom responded that this year, the unfunded liability for UC health benefits had eclipsed the unfunded liability for the UCRP. New rulings from the Governmental Accounting Standards Board would cause that to increase. The University would have to consider pre-funding options and other ways to provide these benefits. This was a very significant liability.

Regent Ortiz Oakley observed that at the time it instituted the 1976 Tier, the University did not seem to have been aware of how the UCRP’s unfunded liability might grow. He asked how UC could ensure that a similar situation would not face UC employees in the future, employees who would be hired in the new 2016 tier. Mr. Brostrom responded that UC was contributing almost as much to the unfunded liability as to the normal cost of the UCRP. He recalled that for nearly 20 years there had been a contribution holiday, when neither employer nor employees made contributions to the UCRP. In retrospect this was a mistake. Even if a plan is overfunded, some level of contribution must continue to be made.

Regent Ortiz Oakley asked what the University could do to ensure a continuing prudent level of contributions. Mr. Brostrom observed that the circumstances of the UCRP can change based on actuarial assumptions and contributions. The University would not wish to lock itself into a given percentage of contributions because the contribution level might have to be raised or lowered in the future. Committee Chair Kieffer emphasized that this situation had been created by a lack of contributions by employer and employees over a long period, beginning around 1990. The Regents hope that contributions to the UCRP will move UC toward a better situation. The University was now on a very different track than it had been on in 1990.

Regent Elliott asked about the proposals for recruitment and retention and the annual cost of those proposals. Ms. Nava responded that these would be programmatic and institutional investments, amounting to $50 million over a ten-year period. Campuses could use these funds for recruitment and retention of faculty and critical personnel. In addition, there would be a $10 million one-time fund for recruitment and retention for positions with systemwide impact and $50 million, also to be spent over a ten-year period, for campuses for areas that directly affect the student experience. The proposals also included an expansion of the Mortgage Origination Program (MOP) to allow for 40-year loans, at the chancellors' discretion, as well as increasing the loan amount to $1.43 million.

Regent Elliott asked about the cost of the MOP. Mr. Brostrom responded that MOP is funded from the STIP. UC is a Consumer Financial Protection Bureau-certified lender, so special approval by a chancellor is required for a 40-year loan. Regent Elliott asked which UC employees would be affected by the MOP expansion. Mr. Brostrom responded that this is completely at the discretion of the chancellors. UC faculty are eligible for MOP. The University would be expanding the MOP amount allocated by campus.

Regent Elliott estimated this cost to be $11 million annually, to be subtracted from the approximately $100 million in annual savings. Mr. Brostrom explained that the reduction in the unfunded UCRP liability also helps to allow the MOP expansion.

Regent Elliott asked if Senior Management Group (SMG) members fall in the category of faculty or staff. Ms. Nava responded that SMG members are in the staff category, unless they have an underlying faculty appointment.

Regent-designate Ramirez requested a definition of the term "regional marketplace" that had been used earlier. She asked if this referred to a radius around the campuses. Mr. Duckett responded that employment markets vary for different categories of positions. The term "regional marketplace" usually refers to an area around UC campuses, an approximately 50-mile radius, but can also refer to larger parts of the state: Northern California, the Central Coast, and Southern California.

Ms. Ramirez stated that it would be important to determine if the market for UC staff members is truly regional or if it is in fact national or international. She observed that specialized positions in campus student affairs departments are often recruited nationally. Staff members in these positions, which require years of training, would be affected by the proposed differential benefits.

Regent Oved expressed concern about the effects of instituting differential benefits for faculty and staff and asked about the cost involved. He asked about the risk of financial insecurity in retirement for tenured faculty, which might make them unwilling to retire. Ms. Nava responded that the Retirement Options Task Force considered many different plan options. She emphasized the financial constraints faced by the University. Offering the same benefit to staff as to faculty under this new program would cost the University an additional $161 million. This would exceed the savings gained by instituting the pension cap. The proposed new program was a fair and reasonable approach within UC's fiscal constraints.

Regent Oved reiterated his question about the possibility that the stand-alone defined contribution plan would increase the risk of financial insecurity in retirement for tenured faculty, who would therefore not want to retire. He asked if this possibility had been considered. Mr. Brostrom responded that this was one reason for the importance of financial readiness and retirement counseling. Comparing the hybrid/defined benefit plan and the stand-alone defined contribution plan, it seemed doubtful that many faculty would choose the stand-alone defined contribution plan, especially if they planned to spend their full careers at UC.

Regent Pérez stated his view that many elements of the proposed new program were positive, especially the ability to limit the UCRP's unfunded liability. He referred to information discussed earlier about 26 comparator institutions that was used in developing the new program. UC would join the largest cluster of these comparator institutions, ten institutions, by offering a choice between a pension benefit and a stand-alone 401(k)-style benefit. He asked if it was desirable to be in this largest cluster. Ms. Nava responded that the University would be at market if it offered this choice.

Regent Pérez asked about the last category shown on the chart of retirement program plan types among the 26 comparator institutions, a combination of pension and 401(k) offered by only two institutions. Mr. Schlimgen explained that this category was labeled as a "combination" on the chart. In fact this type of plan is primarily a defined contribution plan with a defined benefit guarantee or floor. The employee receives the defined contribution balance or, if the defined benefit formula is more favorable, that difference. This type of plan is different from Option 1 in the University's proposed new program.

Regent Pérez referred to the six percent annual contribution to the UCRP even for those employees who opt for the stand-alone defined contribution plan, Option 2. This would be a significant cost for these employees. He emphasized that the new program was proposing a vast shift in Option 1 in how the University treats staff versus faculty. He stated his understanding that for any employee with a salary above the PEPRA cap, there is a defined benefit plan contribution for the salary up to this cap. The employer cost might be roughly $8,190. For the defined contribution element in Option 1, for a faculty member, up to the IRS limit of $265,000, the employer cost might be $13,250, but in the case of staff, where the University's contribution would begin only with the first dollar above the PEPRA cap, the employer cost would be $4,450. These rough numbers would indicate that staff at UC are valued less than faculty. In the defined contribution element in Option 1, the University would compensate staff roughly only one-third of the contribution for faculty. Mr. Brostrom suggested that one should combine the employer contributions for both the defined benefit and defined contribution elements in Option 1. Regent Pérez observed that these figures, $21,440 versus $12,640, show the aggregate contribution for staff at 59 percent of that for faculty, a vast difference in his view.

While Regent Pérez understood the competition the University faces in recruiting faculty, he argued that there are many individuals within the staff categories who are highly desirable employees. In the current proposed action the University was considering reducing future staff pension accruals and comparing UC staff to State employees, whereas in hiring decisions for senior managers, UC typically also takes into consideration private institutions.

Regent Pérez recognized that the University was doing an effective job in containing the unfunded liability. He asked about the reduction in liability in the defined benefit plan that would occur with implementation of the PEPRA cap, given that 13 percent of UC's payroll was currently in excess of the PEPRA cap. Mr. Brostrom estimated that the normal cost would be 30 percent lower in 30 years, with the turnover of a generation of employees; this factor should be considered in addition to the reduction associated with implementation of the PEPRA cap.

Regent Pérez expressed concerns about the shifting of liability from a pooled defined benefit plan to individualized decisions on a defined contribution plan, about the need for more education for staff about retirement decisions, and about potential unintended effects on employees with salaries below the PEPRA cap, especially the effect of Option 2 on individuals with the lowest salaries at UC and on the value of their replacement pension income in later years. Regent Pérez anticipated that the University's efforts to contain its unfunded liability would be well received by the Legislature. There might be a variety of responses from State legislators about the proposed differential benefits for faculty and staff and about Option 2. The Governor and Legislature, in their consideration of PEPRA, rejected any proposal for a defined contribution plan only. One of the great differences between a defined benefit plan and a defined contribution plan is the ability to recover from an unanticipated market event. There is a great difference between a single individual at retirement age cashing out a reduced investment and the ability of an institutional investor with large pooled assets to recover over time. The societal costs of these situations had been considered by the Legislature in its discussions of PEPRA and in its decision to retain a defined benefit plan. Regent Pérez stressed that he did not see value in the move toward a defined contribution plan-only option. He articulated another concern about the value of UC's pension program as a retention tool. Many faculty on the tenure track but not yet tenured might choose Option 2 until they have security of ongoing employment at UC. Before receiving tenure, they might be more easily poached by another institution because they are not bound by a defined benefit plan. Option 2 might decrease the leverage for retention for key faculty. Regent Pérez asked if UC would have a competitive process to evaluate those who would manage the UCRP investments. Mr. Schlimgen responded that the Retirement Options Task Force examined comparator data based on UC's different workforce segments, from the 26 comparator institutions already mentioned, from private comparators, and from UC Health's regional comparators across California. The University's study of these questions over the past several years has indicated that UC has a diverse workforce, with many young, mobile employees who value portability and who do not plan to remain with one employer for their whole career. UC has many limited-term appointments of one, two, or three years, employees who would not invest in a defined benefit plan. UC

Health and the Lawrence Berkeley National Laboratory in particular have asked the University to examine this issue and would like to have Option 2 as a recruitment tool. Mr. Schlimgen emphasized that the choice of the stand-alone defined contribution plan would be completely voluntary and must be made by affirmative election. No employee would be placed in the defined contribution plan by default, and there would be an opportunity to make a second choice. Regent Pérez noted that the State's approach to its hybrid plan was different from the University's, particularly because of concern about employees with low compensation.

Regent Reiss stated her understanding that Option 2 might serve as a recruitment tool for shorter-term employees. She asked how the Governor and legislative leaders had responded to the proposed program. She referred to the funds to be directed to the campuses for recruitment and retention and suggested that this funding be connected with efforts to improve faculty diversity.

In response to a question by Regent Varner, Mr. Brostrom confirmed that no change was being proposed to retiree health benefits, for existing or future employees. Regent Varner noted that these costs would likely increase and asked if such increases had been factored into the projected savings. Mr. Brostrom responded in the negative. This issue still needed to be addressed. Regent Varner recommended that the University examine the matter of health benefits in the future and that this matter be brought before the Regents, in connection with the present action. Mr. Schlimgen recalled that the Regents had implemented changes in eligibility rules for retiree health benefits in 2010. Those rules were still in effect. Receipt of benefits was not based only on years of service. A retiree must reach age 65 and 20 years of service to receive a full UC contribution.

Student observer Paul Monge, student at the UC Berkeley School of Law, referred to the foregoing discussion and the $50 million to be dedicated to improving the educational experience. He praised President Napolitano for including this as part of the new retirement program. This funding would be discretionary and campuses would allocate according to specific needs. Flexibility might, however, lead to deviation from the intended purpose of these funds. Students would like clear parameters and definitions of the purposes of this funding at the campus level so that it indeed supports graduate students and undergraduate instruction. Students should be involved in the decision-making about allocation of these funds at the campus level. Mr. Monge underscored that the new retirement program and benefits being discussed would not affect anyone at the meeting that day but would affect future employees. The Regents should be mindful of the fact that the people who would be affected by the changes were not present to voice their concerns.

Committee Chair Kieffer concurred with points raised by Regent Pérez about the various factors that need to be balanced in this kind of action and about the need for employee education regarding the defined contribution plan. Committee Chair Kieffer expressed approbation for the fact that employees would by default be placed in Option 1, and his support for the proposed action.

President Napolitano remarked that there had been difficult choices in developing the new retirement program but stated her conviction that the program would achieve the right balance for UC, its long-term financial stability, and academic excellence. The Governor had expressed verbal support for the program, while the State Senate President pro Tempore and the Speaker of the Assembly had indicated their concerns in writing about the stand-alone defined contribution plan. President Napolitano stressed that given the variety of UC's workforce, offering this option to employees was in the best interests of the University. She observed that federal employees are enrolled in a defined contribution plan. UC wishes to increase employees' retirement education. The Retirement Options Task Force had discovered an overall lack of awareness of how to prepare for retirement.

President Napolitano acknowledged that there are different labor markets for faculty and staff. This did not mean that UC staff are not highly valued; they are. President Napolitano stated that she would present a plan at a future meeting to address salary issues for faculty and critical staff. The University needed to consider what its workforce would be like in the future and how to ensure the high quality of that workforce. She referred to Regent Reiss' request that the $50 million funding for faculty recruitment and retention include consideration of faculty diversity. All the campuses are setting aside funds for recruitment and retention and UC follows diversity matters very carefully. This was also the case with funds being proposed for improving the educational experience; these are funds that would supplement or be in addition to other monies available. The University wished to see a unity of purpose and effort in the use of these funds. The new program reflected a balanced approach to different retirement issues faced by the University, the variety and excellence of its workforce, and the need to make adjustments to long-term cost structure. The University would examine retiree health benefits and compensation further at future meetings.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

3. **APPROVAL OF EXTERNAL FINANCING, SANTA MONICA ORTHOPEDIC HOSPITAL LEGAL SETTLEMENT, LOS ANGELES CAMPUS**

The President of the University recommended that:

A. The President be authorized to obtain external financing in an amount not to exceed $44 million for the Santa Monica Orthopedic Hospital legal settlement, where said settlement was both previously approved by the Regents and paid in full via hospital reserves. The President shall require that:

(1) As long as the debt is outstanding, the gross revenues of UCLA Medical Center shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.

(2) The general credit of the Regents shall not be pledged.

B. The President be authorized to execute all documents necessary in connection with the above.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer briefly introduced the item.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 1:05 p.m.

Attest:

Secretary and Chief of Staff

RECOMMENDATIONS

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

I. Employees described in recommendation II.a. below, except for employees with a UCRP entry date prior to July 1, 1994, be given a choice between participation in:

   a. a new University of California Retirement Plan (UCRP) tier (i.e., the UCRP 2016 Tier) with a defined contribution plan supplemental benefit (i.e., DC Supplemental Benefit) for UCRP 2016 Tier members as described in III.A. below, or

   b. a new defined contribution plan benefit (i.e., DC Plan Benefit)

   The employee's choice of a. or b. above is subject to the following conditions:

   1) Employees who do not make a choice within 90 days of becoming eligible for choice will be defaulted to the UCRP 2016 Tier. A choice of, or default to, the UCRP 2016 Tier would be irrevocable.

   2) Employees who initially choose the DC Plan Benefit may be given a future opportunity to elect to participate in the UCRP 2016 Tier prospectively. The election opportunity could be offered only if it is approved by the Internal Revenue Service (IRS) in a private letter ruling issued to the University and implemented by the President.

II. The University of California Retirement Plan be amended effective July 1, 2016 to provide for the following:

   a. A new member tier (the 2016 Tier) for the following categories of employees:

   1) employees initially hired on or after July 1, 2016 (i) as UCRP-eligible employees or (ii) who later attain UCRP-eligible employee status;

   2) former employees who incur a tier break in service and are rehired on or after July 1, 2016 (i) as UCRP-eligible employees or (ii) who later attain UCRP-eligible employee status, including rehired retirees who have suspended UCRP retirement income;

   3) Safe Harbor (i.e., non-eligible) employees who attain UCRP-eligible status on or after July 1, 2016.

   b. A cap on covered compensation of the following subcategories of employees described in II.a. above that will be used to calculate 2016 Tier benefits (New Covered Compensation Limit or New CCL):

1) employees with an initial hire date as UCRP-eligible employees on or after July 1, 2016;

2) Safe Harbor employees with an initial hire date on or after July 1, 2016 who later attain UCRP-eligible employee status;

3) all other employees who first become eligible for UCRP on or after July 1, 2016, regardless of initial hire date.

The New CCL would not apply to employees with an initial hire date as UCRP-eligible employees on or after July 1, 2016 who are eligible for reciprocity with CalPERS if their CalPERS initial membership date is prior to January 1, 2013.

The New CCL will mirror the cap on covered compensation established by the Public Employees' Pension Reform Act of 2013 (PEPRA). The PEPRA cap for 2016 is $117,020 for applicable state employees with Social Security and $140,424 for applicable state employees without Social Security. This limit is indexed.

To comply with the terms of the budget agreement with the State, the New CCL will apply to all employees, subject to any applicable collective bargaining requirements for represented employees.

c. For employees who elect or are defaulted to UCRP, participation in UCRP (i.e., contributions and service credit accrual) commences prospectively following the employee's election date or default date, subject to payroll processing cycles. UCRP service credit cannot be established for time worked prior to the participation date through a service credit purchase.

d. Only UCRP service credit, plus any CalPERS service for members eligible for reciprocity, will be used to determine eligibility for UCRP benefits. However, subject to the favorable IRS ruling described in I.b above regarding a future choice opportunity, for an employee who initially chooses the DC Plan Benefit, but later elects to move to the UCRP 2016 Tier, an employee's service credit accrued under the DC Plan Benefit will be used to determine the vested status for the prospective UCRP 2016 Tier benefits to the same extent as service credit earned as a UCRP member. It will not be taken into account for benefit accruals.

All other provisions of the 2016 Tier will be the same as for the 2013 Tier, including the employer and employee contribution rates. A portion of the University contribution, including a portion of the contribution made of behalf of employees of Lawrence Berkeley National Laboratory (LBNL) which is reimbursed by the Department of Energy, will continue to be allocated to reduce the Unfunded Actuarial Accrued Liability (UAAL) in the appropriate segment of UCRP. These contribution rates, determined by the Regents, are as follows:

1) 14 percent employer contribution on UCRP covered compensation up to the New CCL for active UCRP members other than those employed at LBNL and an 11.8 percent contribution on UCRP covered compensation up to the New CCL for UCRP members employed at LBNL. (The rate is subject to change annually for the next five years, according to the UC-U.S. Department of Energy (DOE) contract modification authorized by the Regents in September 2015);

2) 7 percent pretax employee contribution rate on UCRP covered compensation up to the New CCL.

III. The DC Plan be amended effective July 1, 2016 to provide for the following benefits:

a. A new DC Supplemental Benefit for UCRP 2016 Tier members to whom the New CCL is applicable, with the following provisions:

1) Employer contributions -

i. for Academic Appointees as listed in Attachment II, 5 percent of UCRP covered compensation to the IRC limit;
ii. for UCRP 2016 Tier members who are not Academic Appointees as listed in Attachment II, 3% of UCRP covered compensation that is in excess of the New CCL up to the IRC limit.

2) Employee contributions - mandatory pretax contributions of 7 percent of UCRP covered compensation that is in excess of the New CCL up to the IRC limit.

3) Employer contributions and related earnings will fully vest when the employee completes five years of UCRP service credit or, if earlier, on the date the employee dies, provided the employee is actively employed on that date. Employee contributions and related earnings are always fully vested.

4) If an employee terminates UC employment before vesting, the non-vested employer portion of the employee’s DC Supplemental Benefit account will be forfeited consistent with the terms of the DC Supplemental Plan Benefit, and used to reduce future employer contributions, restore previously forfeited amounts if required, and/or to pay reasonable plan administrative costs.

b. A new DC Plan Benefit for employees, as described in II.a. above, who affirmatively elect this option. The DC Plan Benefit will include the following provisions:

1) Covered compensation for purposes of this benefit will be the same as covered compensation under UCRP up to the IRC limit (the New CCL will not apply).

2) Employer contributions - 14 percent of covered compensation

i. 8 percent to participant accounts

ii. 6 percent to reduce the Campus and Medical Centers Segment of UCRP UAAL. (The amount to reduce the LBNL Segment of UCRP's UAAL, if any, will be determined in accordance with the UC/DOE contract)

3) Employee contributions - mandatory pretax employee contributions of 7 percent of covered compensation

4) Employer contributions to a participant account and related earnings will fully vest after one year. University service completed prior to the applicable vesting measurement period will not be recognized for vesting purposes for the DC Plan Benefit. An employee will automatically vest in the employee's employer contributions account if the employee dies prior to completing the one year requirement, but while actively employed. Employee contributions and related earnings are always fully vested.

5) If an employee terminates UC employment before vesting, the non-vested employer portion of the employee's DC Plan Benefit account will be forfeited, as provided in the DC Plan Benefit terms, and such forfeiture amounts may be used to reduce future employer contributions, restore previously forfeited amounts, if required, and/or to pay reasonable plan administrative costs.

6) If an employee who elects the DC Plan Benefit separates from service and is later rehired into an eligible position, the employee will automatically be reenrolled in the DC Plan Benefit option pending the outcome of the IRS private letter ruling referenced in item I.

IV. The President of the University be delegated broad authority to determine and take all action incident to implementing the changes to UCRP and the DC Plan, including resolving eligibility questions. This delegation is necessary considering the complex technical and operational issues to be addressed to meet the July 1, 2016 effective date.

UNIVERSITY COSTS AND SAVINGS

University Costs and Savings

There are two types of separate and distinct "savings" due to the proposed retirement options as outlined in this item:

- Cash flow Savings – These are direct cash flow savings that result from a reduction in University contributions to either UCRP or the DC plans.
- Normal Cost Savings – These are savings that result from a reduction in the University's long-term pension cost structure by reducing UCRP's Normal Cost over time. While these are not cash flow savings, they allow more of the University's contributions to UCRP to go towards funding UCRP's UAAL over time.

Cash flow savings are discussed first below followed by discussion of the Normal Cost savings.

The 15-year average annual University cash outlay for future new hires on or after July 1, 2016 was projected to have been $655 million if the UCRP 2013 Tier benefit structure had continued, but it is now projected to drop to $646 million under the new structure. The cumulative non-discounted cash flow savings are about $136 million. The savings will be back-loaded, with most of it coming in the later years of the 15-year projection period as a greater percentage of the total population is affected by the benefit changes.

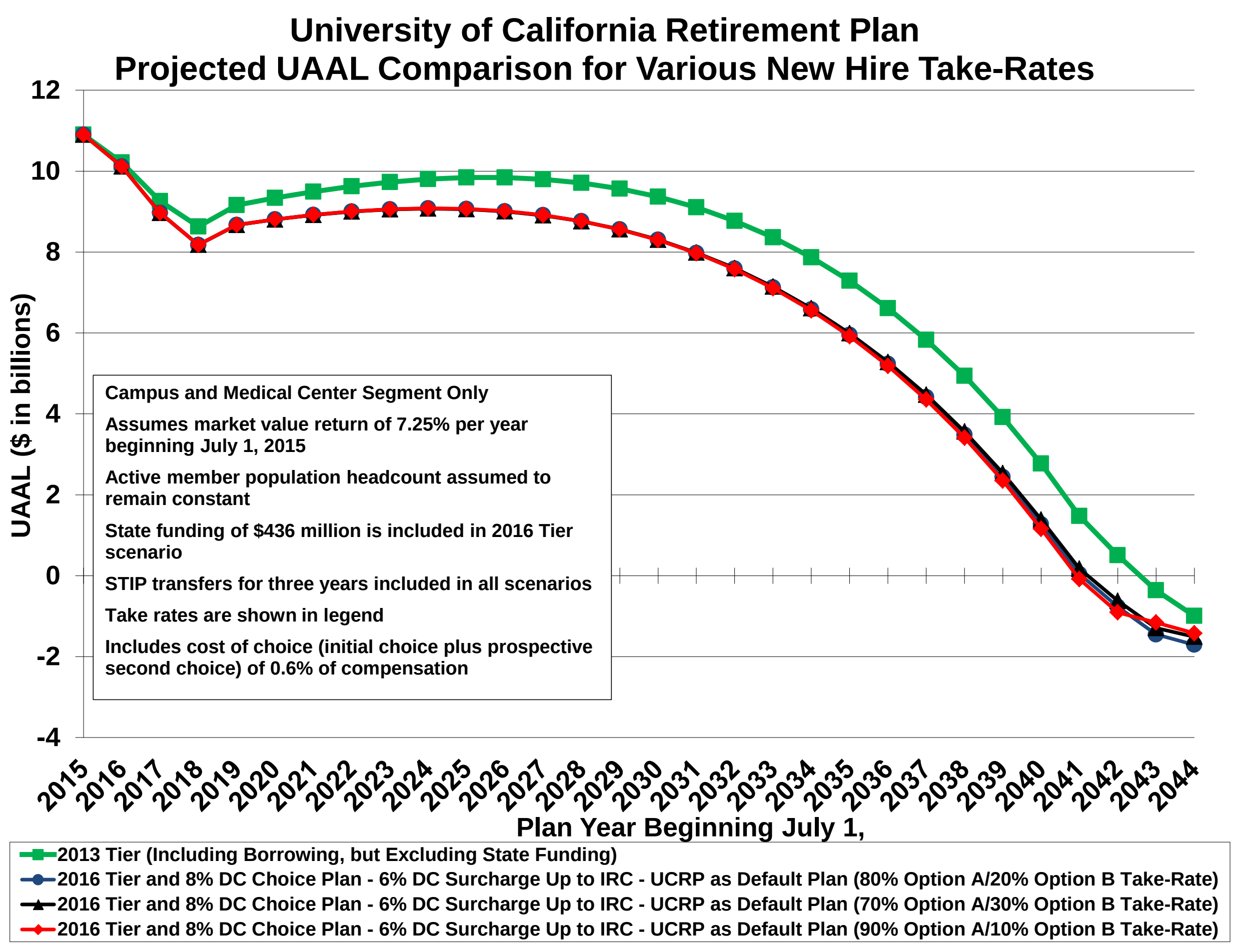
The table below shows a reconciliation of the University's costs and savings under the recommendations for UCRP and the new DC plan benefits both on a 15-year average cost basis and total cumulative cost over the 15 years. These results are for future new hires on or after July 1, 2016 and have not been discounted for interest. Positive numbers shown are costs while negative numbers represent cash flow savings. They are based on a new hire take rate (election) assumption of 80% for Option A (UCRP 2016 Tier paired with Supplemental DC Benefit) and 20% for Option B (DC Plan Benefit).

Reconciliation of Estimated University Cash flow Costs and Savings for UCRP and DC Plan Benefits (New Hires On or After July 1, 2016)		
Results Not Discounted For Interest	15-Year Average Employer Cash flow Costs/Savings	15-Year Total Employer Costs/Savings
University Cash flow Costs for 2013 Tier	$655 million	$9.8 billion
Cash flow Savings from Implementing 2016 Tier (Not making employer contributions above CCL)	-$51 million	-$767 million
Cash flow Savings from Implementing Option B with no UAAL Contribution	-$48 million	-$716 million
Costs for Implementing DC Supplemental Benefits in Option A	+$34 million	+$510 million
Costs for Implementing 6% UCRP UAAL Contribution in Option B	+$56 million	+$837 million
Total Changes in Cash flow Costs	-$9 million	-$136 million
University Cash flow Costs for Option A & B	$646 million	$9.7 billion

Ensuring UCRP's Financial Sustainability / Impact on UCRP's Long Term Funded Status

The Normal Cost for the UCRP 2016 Tier is lower than the 2013 Tier by over 1% of covered compensation. Provided the 14 percent University contribution to UCRP is held constant, any contribution amount not required to fund the Normal Cost would serve to fund the UAAL. As more new hires in the UCRP 2016 Tier replace those in the UCRP 1976 and 2013 Tiers, the total Normal Cost declines and the UAAL contribution increases, accelerating the pay down of that liability. One important result is that even without UAAL contributions on compensation above the new CCL for those in the UCRP 2016 Tier, the reduction in Normal Cost and the accelerated funding of the UAAL will continue, with little effect on the date UCRP reaches full funding.

A key priority for UC in designing a new set of retirement benefits was maintaining the financial stability of UCRP. Thus, the University's employer contribution under either option will continue to include a component to pay down the unfunded UCRP liability. The Option B design includes a percent of compensation UAAL contribution that maintains the same level of UAAL funding as under the UCRP 2016 Tier (approximately 6 percent of covered compensation).
The impact of the recommendations on UCRP's projected UAAL was modeled by the Regents' consulting actuary (Segal Consulting). The projections include three years of borrowing from the Short Term Investment Pool (STIP) fund that was previously approved in November. The recommendations also include three years of State funding. The following chart compares the projected UAAL based on the recommended designs to the projected UAAL based on assuming that the UCRP 2013 Tier would continue.



As noted in the graph, these projections assume a market value return of 7.25% per year.
Note that all cost and UAAL impact calculations depend on "take rate" assumptions as to what proportion of new members participate in each plan.

The take rate (election) assumptions were derived by considering two main factors:

- What is the default plan (Option A)?

- What is the underlying relative value of Option B to Option A?

For purposes of sensitivity analysis, three sets of take rates are modeled. The baseline take rates are 80% Option A and 20% Option B. The other two scenarios for sensitivity analysis adjust the take rates by plus or minus 10%.

There is a potential for significant variability in the actual take rates as compared to those assumed since no plan-specific take rate experience is currently available. To the extent that the actual take rates are different, it will impact the combined cost of the two programs. However, since the same UAAL contribution rate applies regardless of whether the members elects Option A or Option B the take rate really has no material impact on UCRP's long-term projected UAAL.

The results of the projection are also summarized in the following table.

Scenario	Take-Rate Assumed	Projected UAAL in 2044	Projected Funded Ratio in 2044
2013 Tier	N/A	-$1.0 billion	101%
Option A and B	80% Option A/20% Option B	-$1.7 billion	101%
Option A and B	70% Option A/30% Option B	-$1.5 billion	101%
Option A and B	90% Option A/10% Option B	-$1.4 billion	101%

As previously noted, Segal Consulting stated that, as long as the University continues to make contributions to pay down UCRP's unfunded liability for those employees who choose the DC Plan Benefit option, allowing future employees to elect this option in lieu of UCRP would not jeopardize UCRP's ability to pay pension benefits.

COLLECTIVE BARGAINING

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.

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.