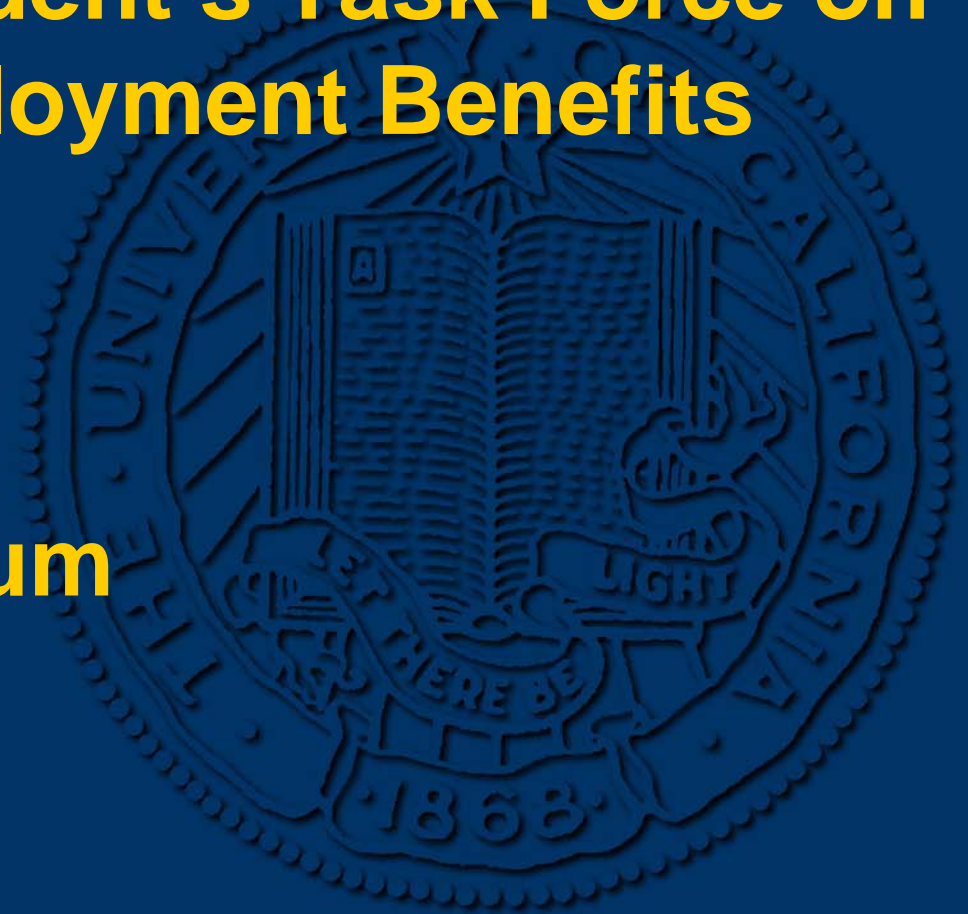




The President's Task Force on Post Employment Benefits

Overview

Local Forum



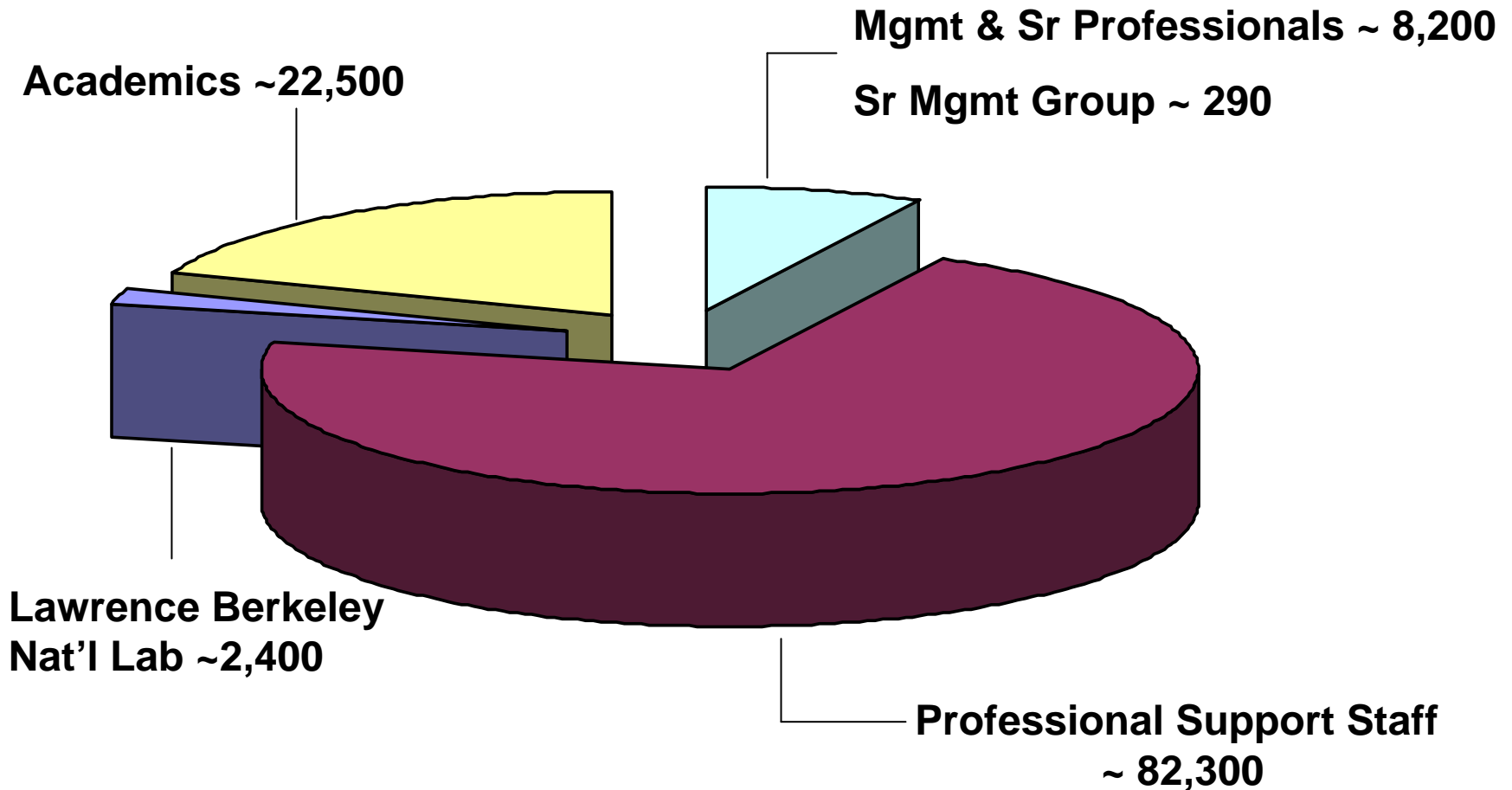
Forum Agenda

- Work Force Demographics
- Background on UCRP
- Background on Retiree Health
- President's Task Force on Post Employment Benefits
- Questions & Answers

Objectives For Today

- **To provide an understanding of UC post employment benefits**
- **To explain the scope of the financial issues due to post employment benefit liabilities**
- **To provide an understanding of the need for significant funding and the need to review potential benefit changes**
- **To answer your questions and to listen to your concerns**

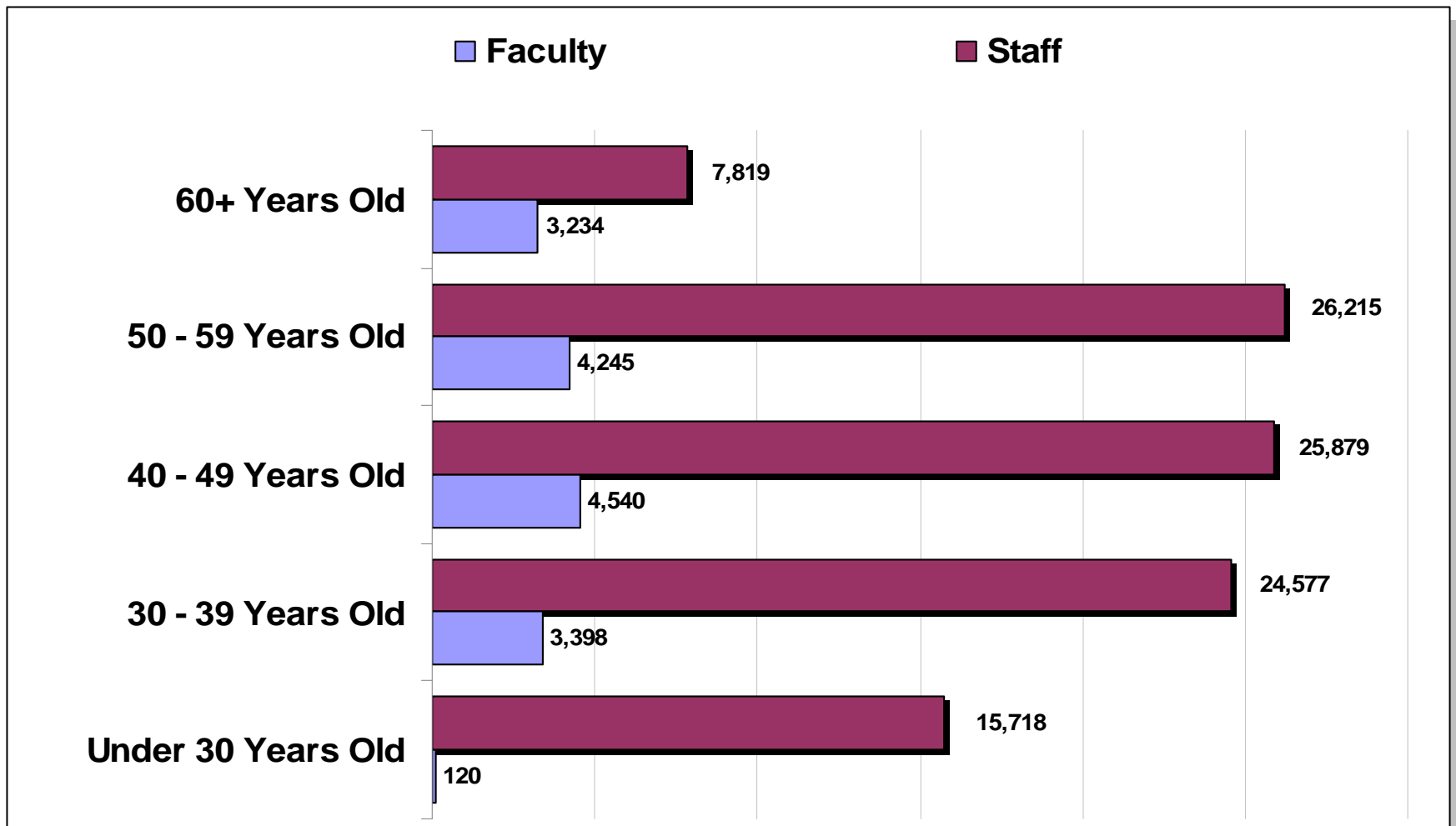
University Workforce Profile



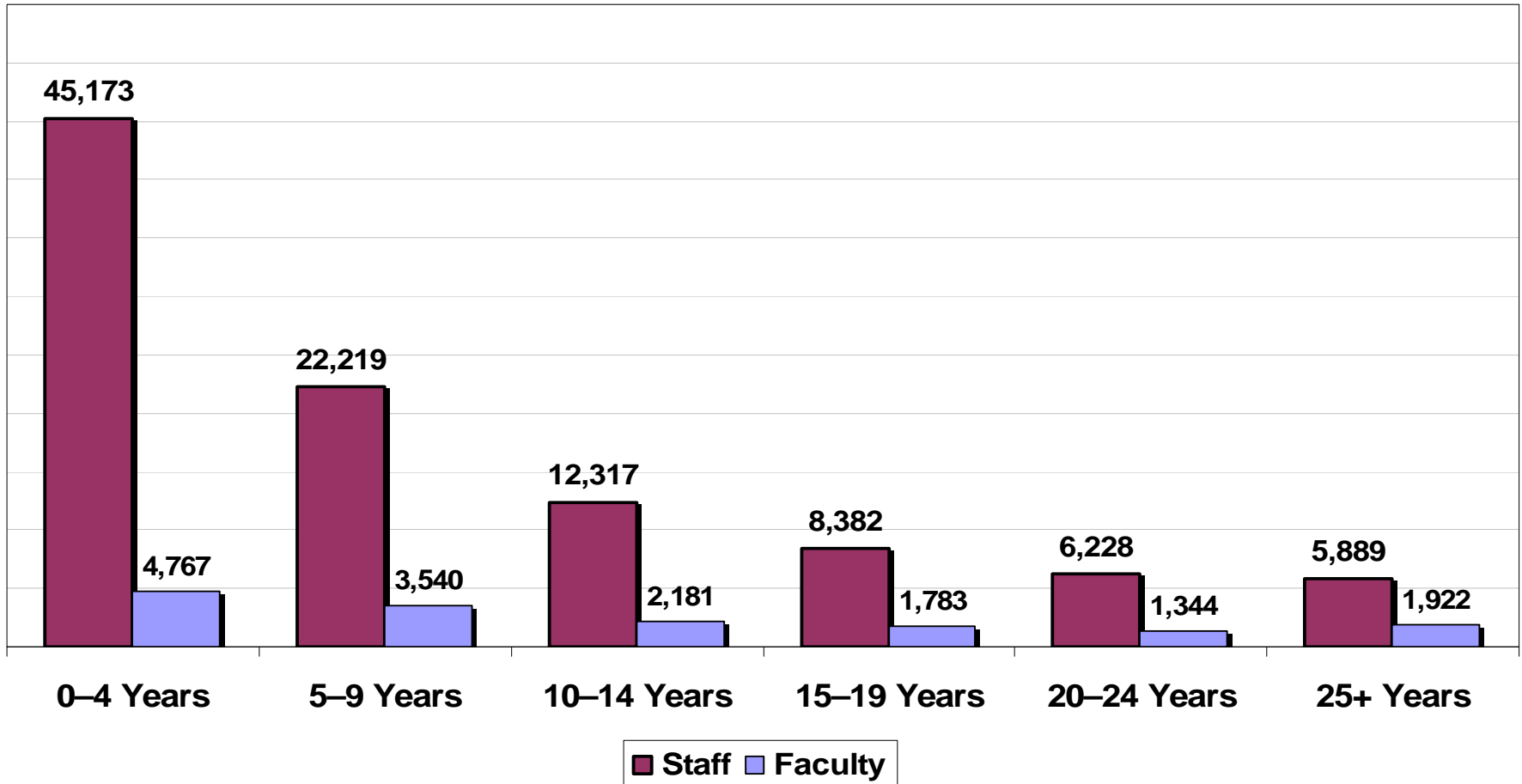
~115,700 faculty and staff career employees

and ~69,000 student and other non-career employees

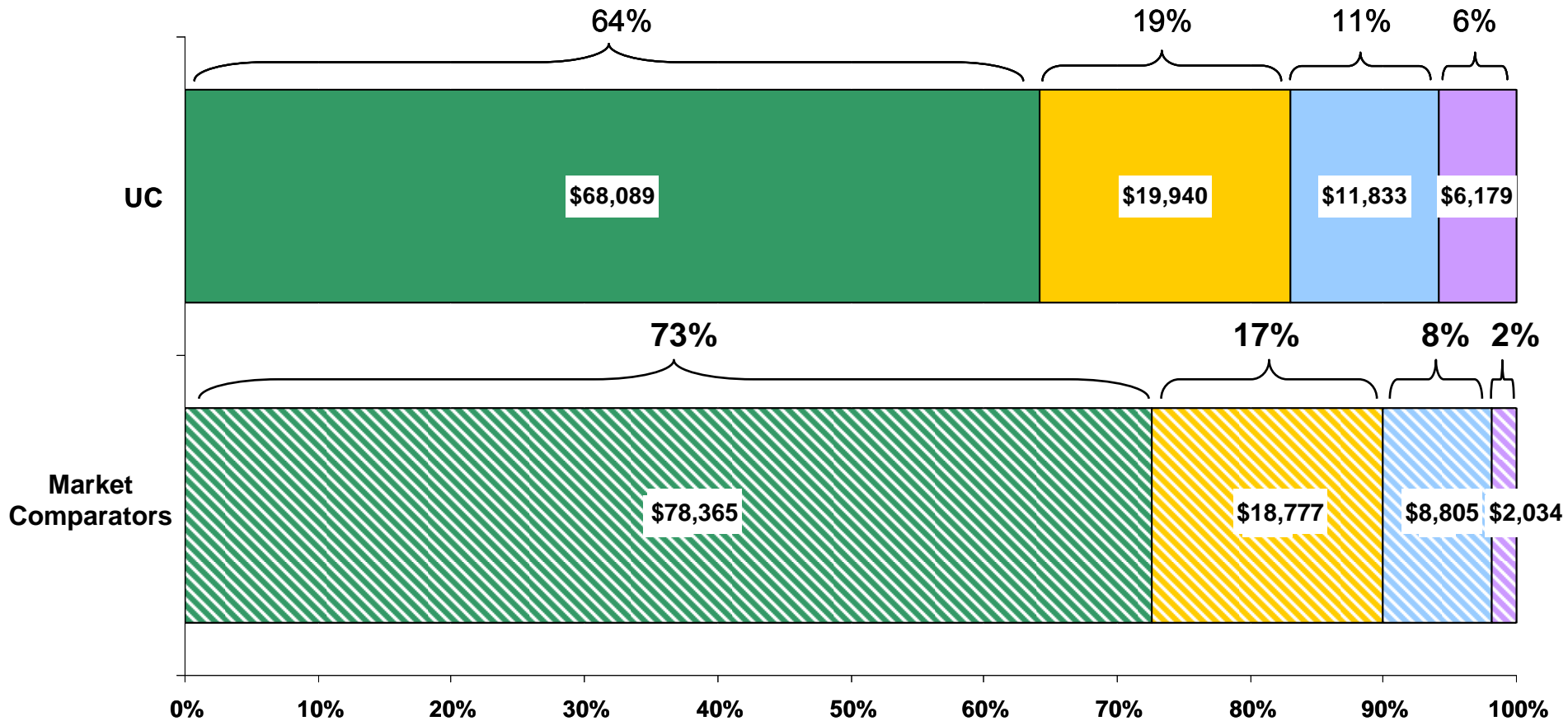
Age Distribution of UCRP Active Members



Active UCRP Members by Years of Service



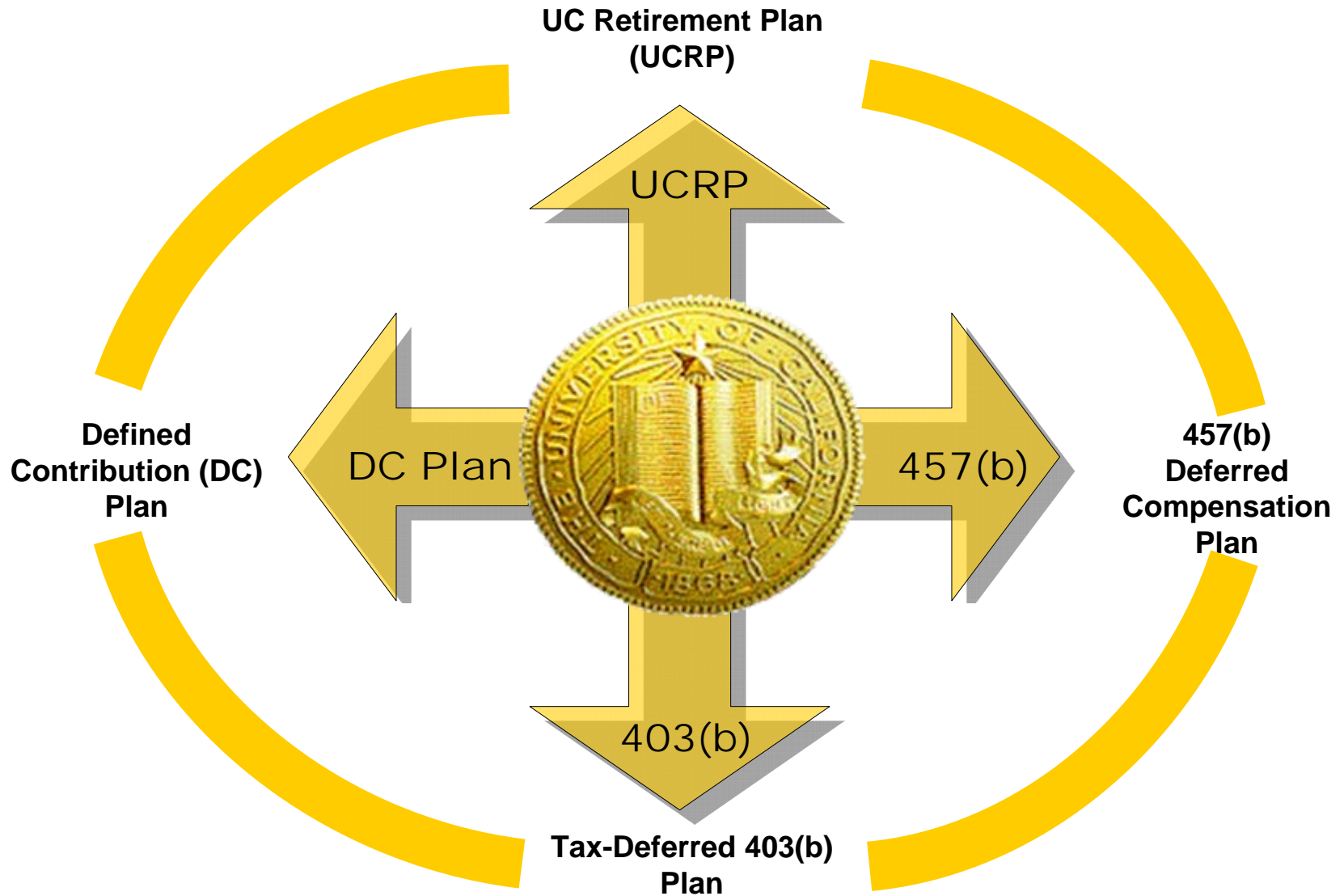
Total Remuneration Components and Allocation Values vs. Market Comparators



Excludes medical centers

- Market Cash Compensation
- Market Health & Welfare
- Market Retirement (DB/DC)
- Market Retiree Medical & Life

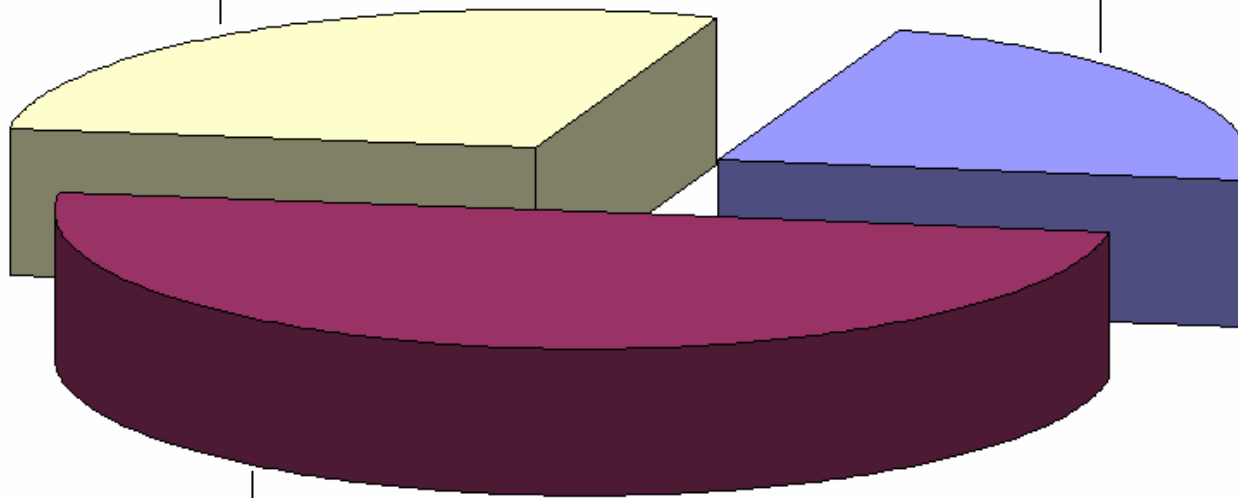
Components of UCRS



UCRP Membership

Separated members owed
a benefit ~ 64,600

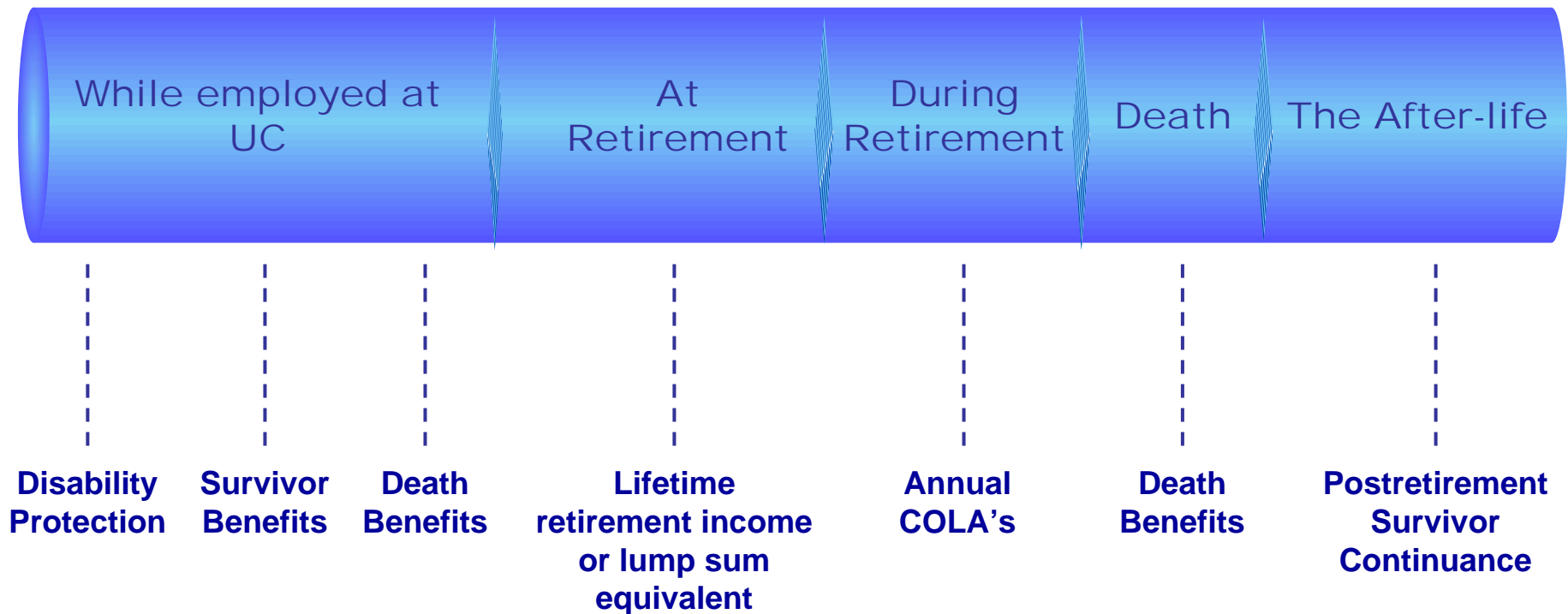
Retirees & Survivors ~ 50,200



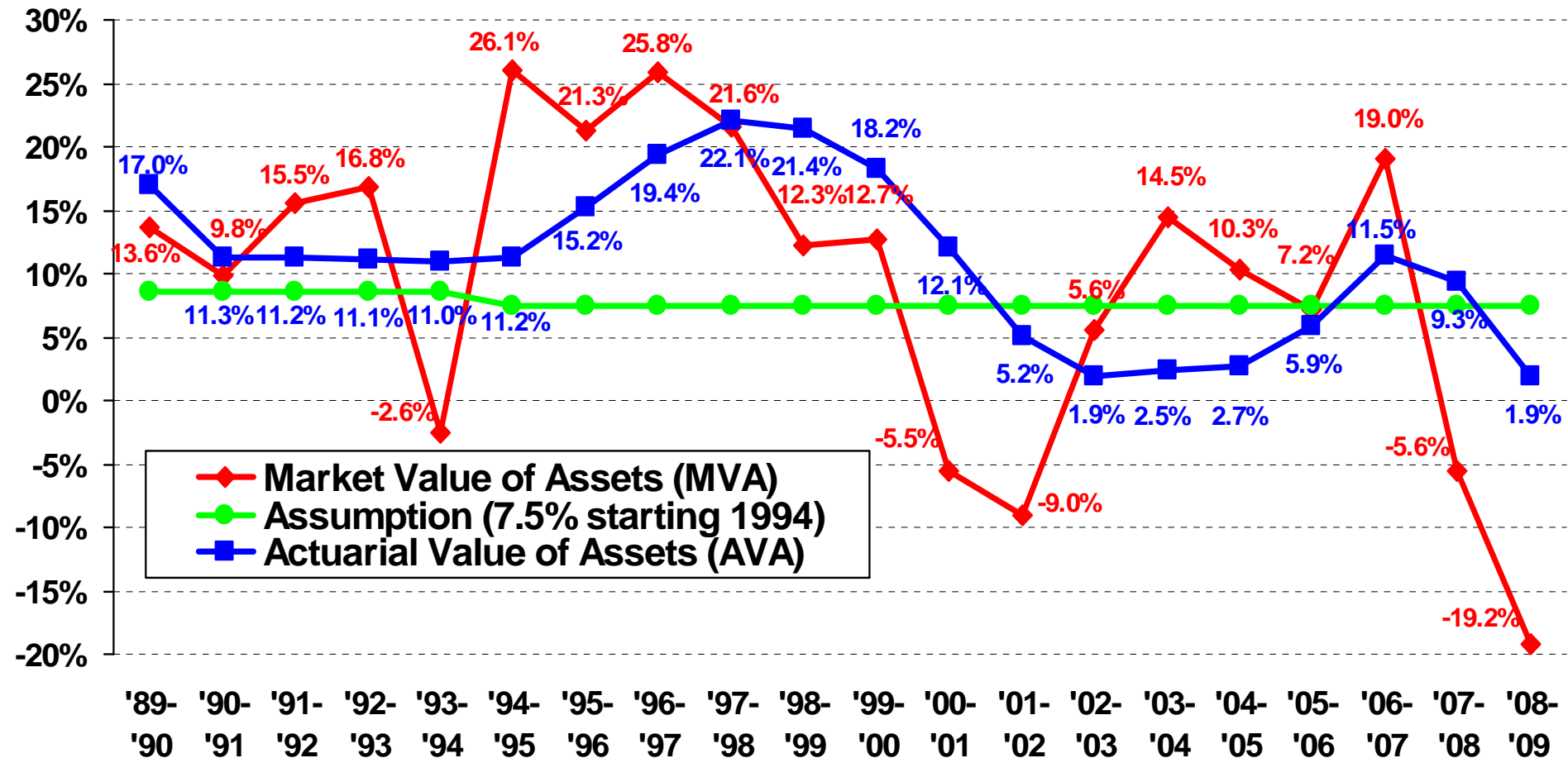
Active Employee members ~ 114,200

~229,000 Members in UCRP (7/1/08)

What Does UCRP Provide?



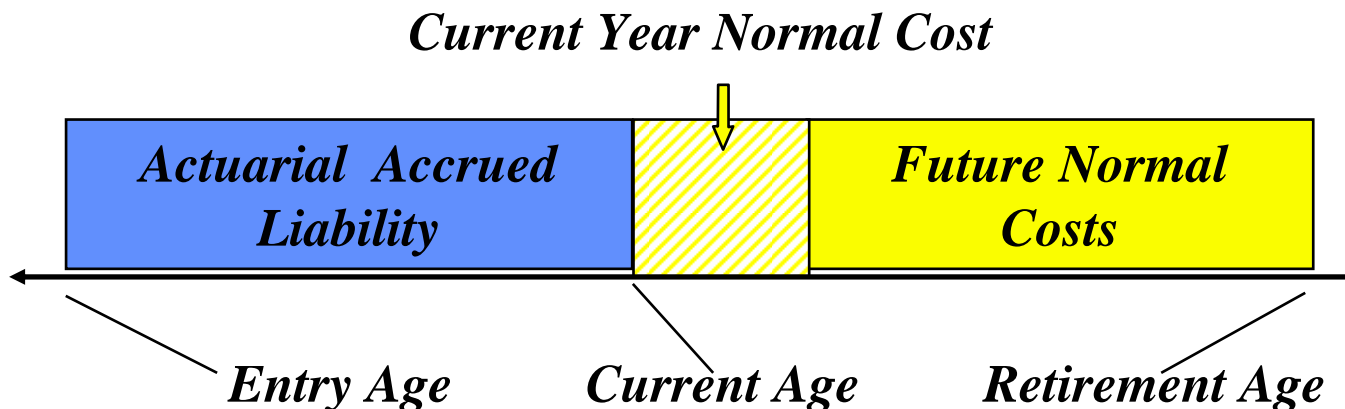
UCRP Investment Rates of Return



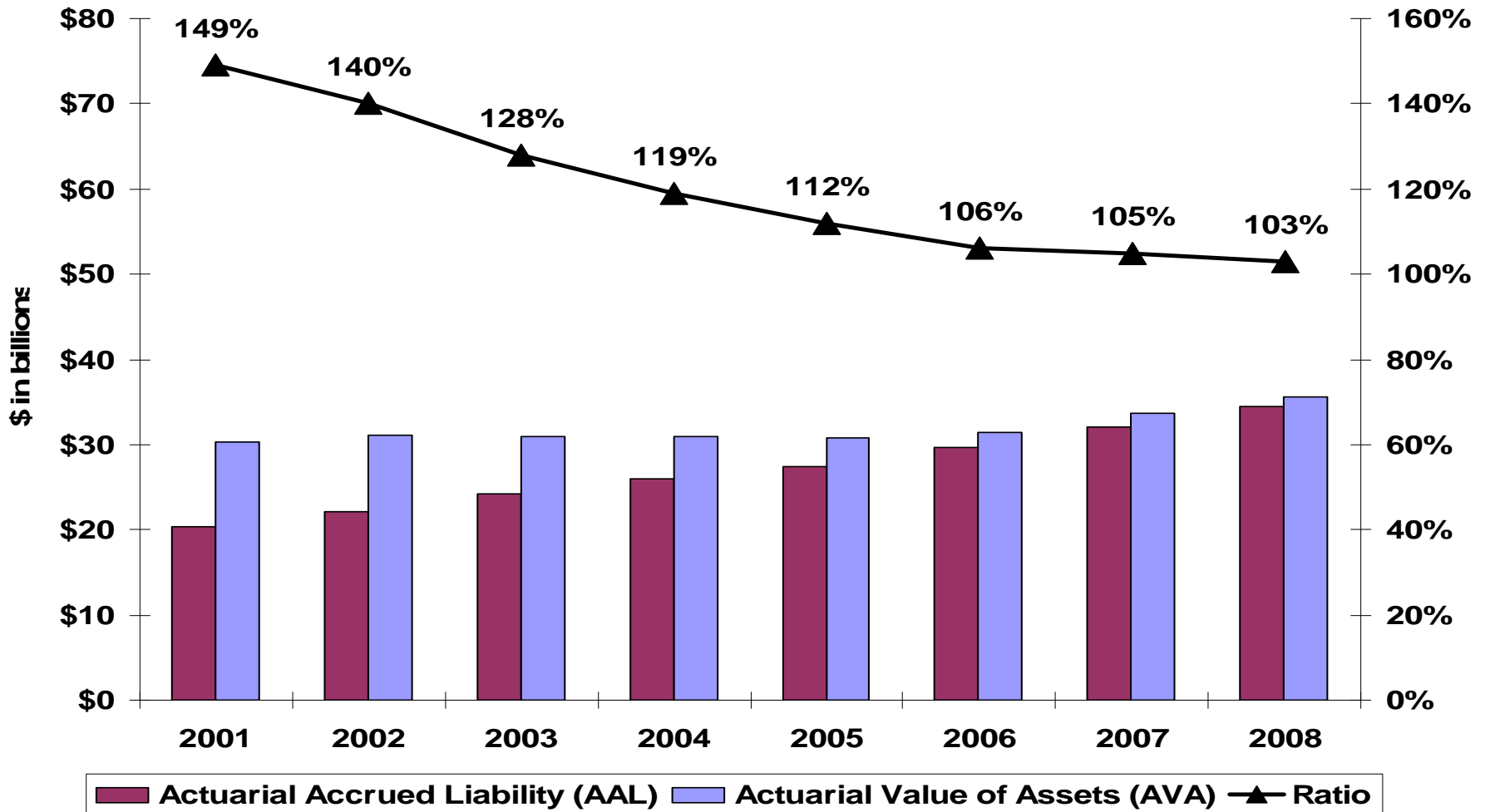
AVA recognizes each MVA return above or below the assumed rate (7.5%) over five years

Funding Retirement Benefits – Elements of Cost

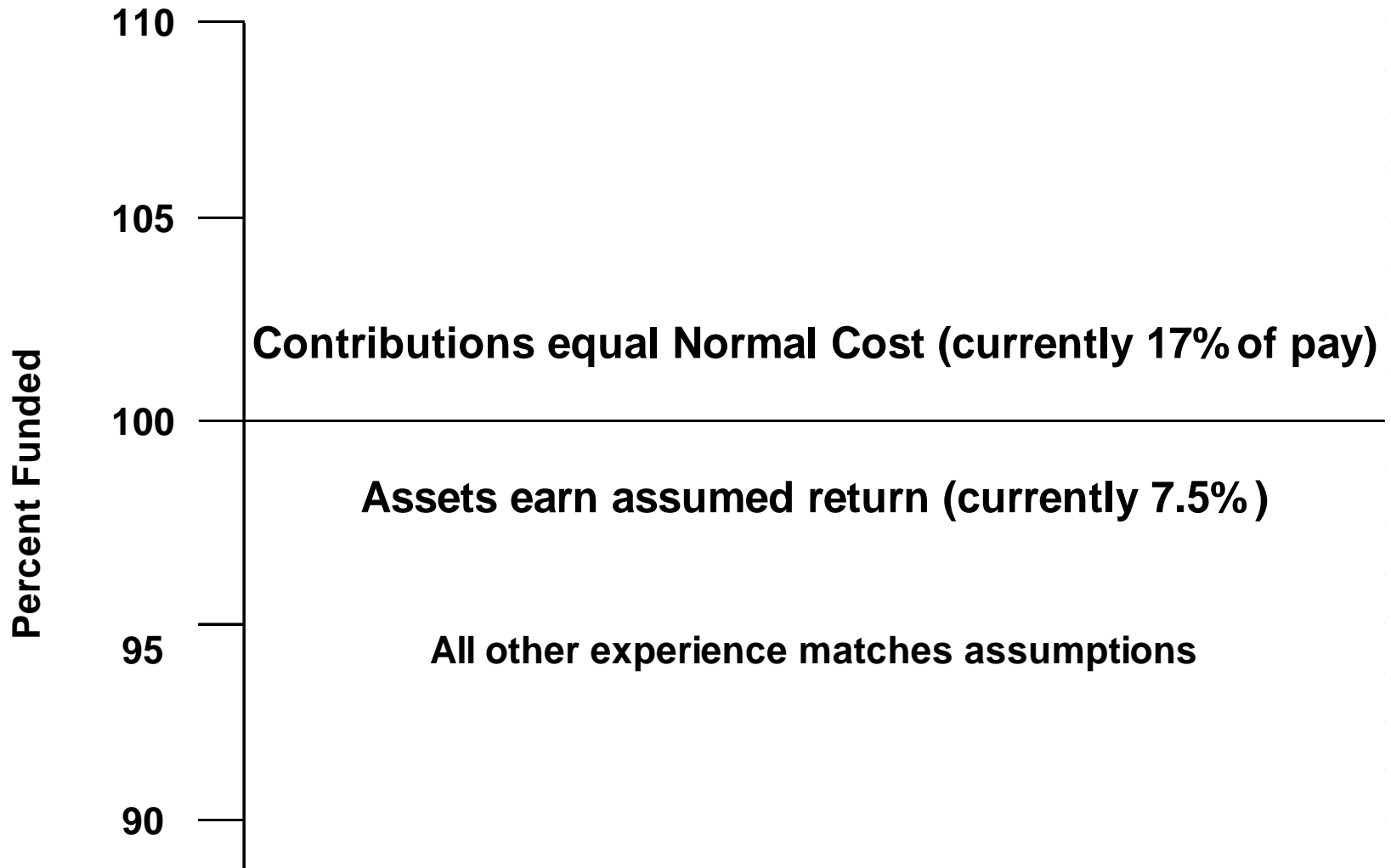
- The **Normal Cost** is the portion of the long term cost allocated to a year of service.
 - Only active members have a current Normal Cost
- The **Actuarial Accrued Liability (AAL)** measures the Normal Costs from past years.
 - For retired members, the AAL is the entire value of their benefit



UCRP Historical Funded Status



What it Takes to Stay 100% Funded



Why Restart Contributions?

- **Sustain and preserve UC retirement benefits**
- **Maintain UCRP target funded status of 100%**
- **Allocate cost of UCRP to all funding sources:**
 - State and UC general funds and student fees
 - Contracts and grants
 - Medical Centers and other self-supporting enterprises
 - Department of Energy (Lawrence Berkeley National Lab)

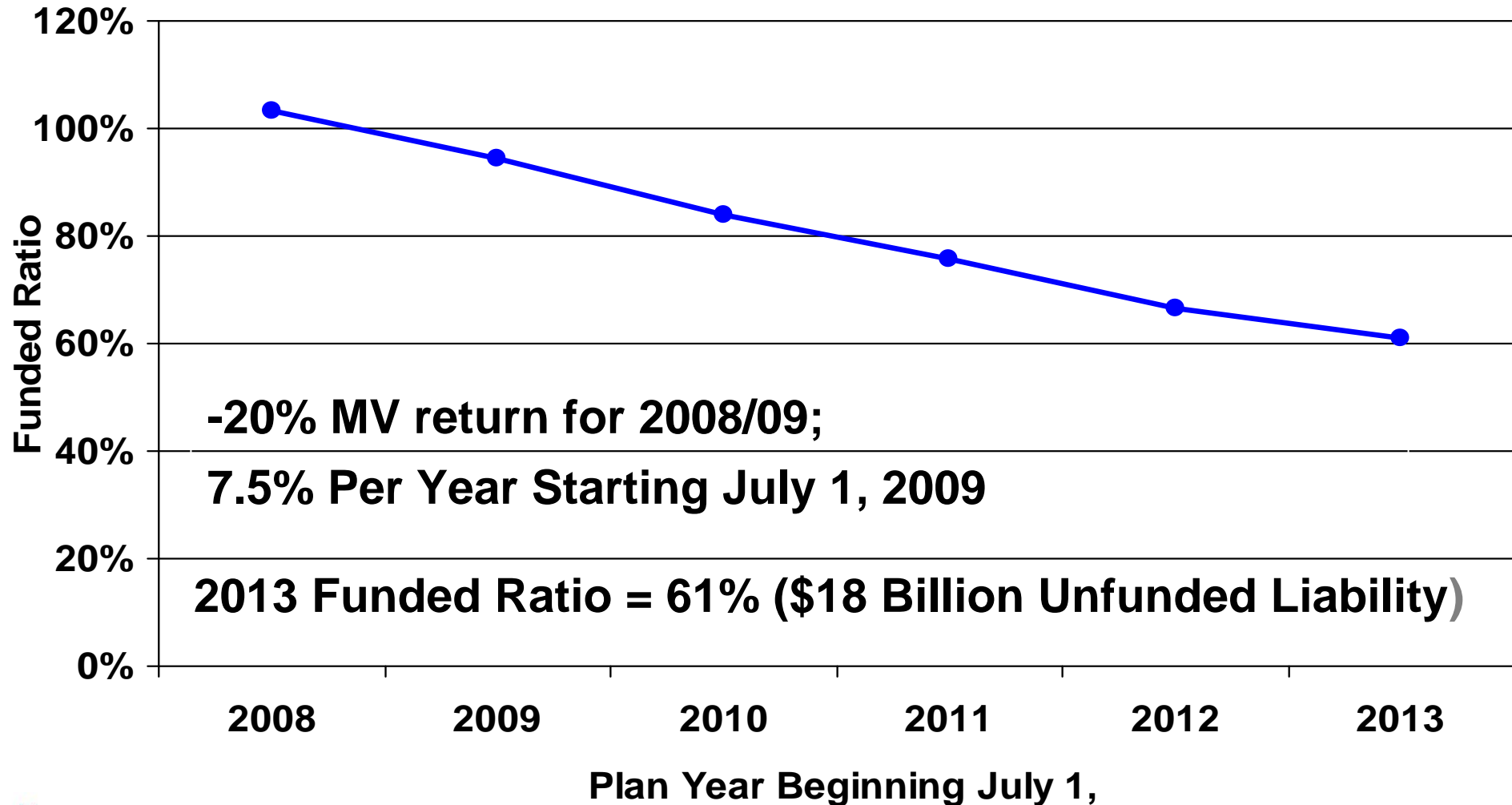
Regents Approved April 15, 2010 Contributions

- Employer
 - FY 09/10
 - All employer payroll funding sources will start at 4%
 - FY 10/11
 - At least 4%, higher if funding available
- Member
 - Beginning April 15, 2010
 - Amounts currently redirected to the DC Plan
 - No reduction in take home pay
 - About 2% for most members
 - Same amounts for FY 10/11
 - Gradually increase to parallel CalPERS member rates (currently 5%)
 - Subject to collective bargaining, as applicable

Examples of Member Contribution Amounts

Monthly Covered Compensation	Monthly Member Contribution	Percent
\$2,500 (\$30,000 annual)	\$31	1.24%
\$4,167 (\$50,000 annual)	\$64	1.54%
\$6,250 (\$75,000 annual)	\$106	1.70%
\$8,333 (\$100,000 annual)	\$148	1.78%
\$10,417 (\$125,000 annual)	\$220	2.11%
\$12,500 (\$150,000 annual)	\$303	2.42%

Funded Ratio (Actuarial Value Basis)



What is NOT Changing for UCRP ?

- ✓ Pension benefits that current employees have already earned
- ✓ Pension benefits for current retirees
- ✓ Retirees will not be asked to contribute to UCRP

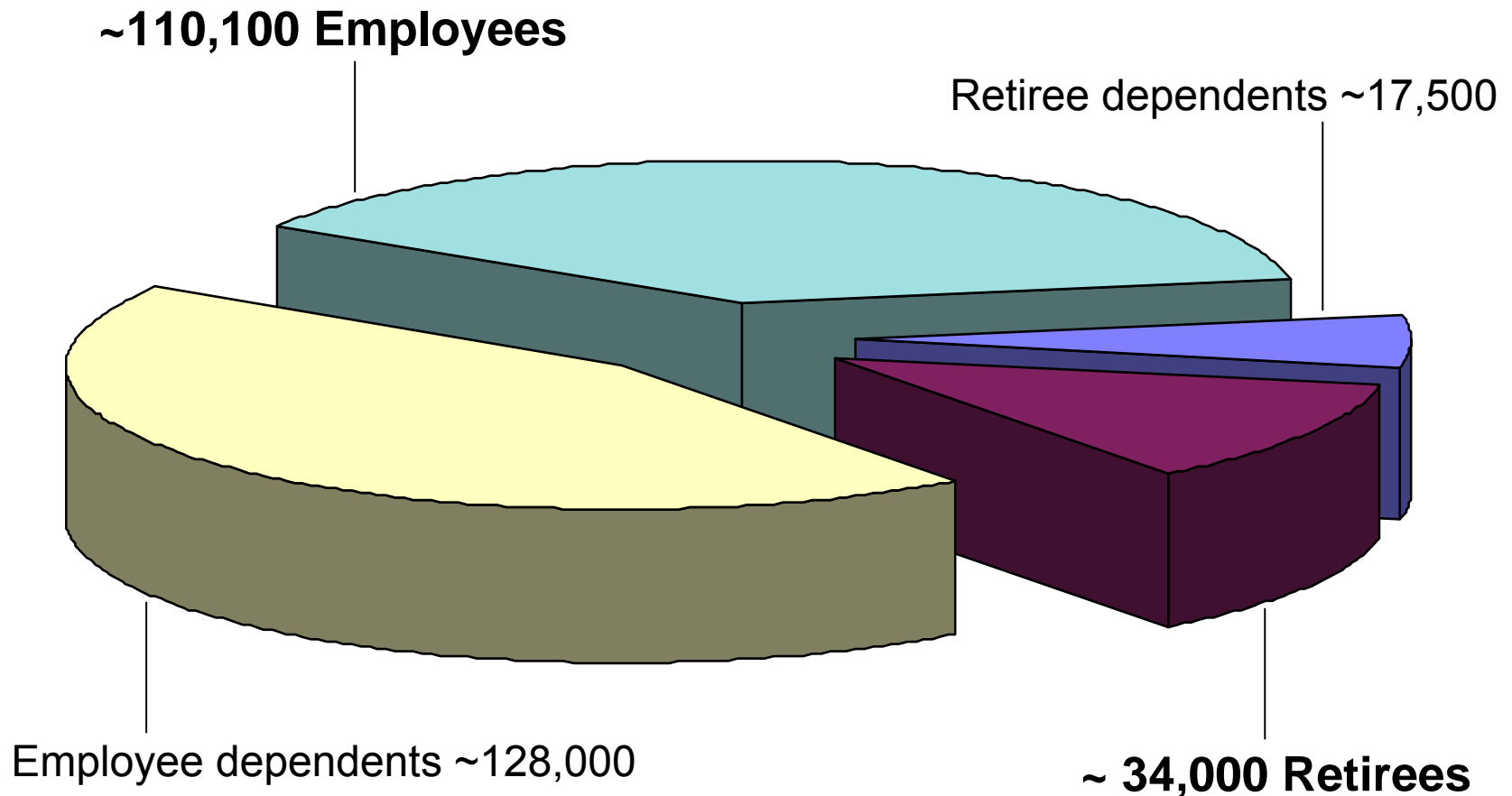
UC Retiree Health Benefits



UC Retiree Health Benefits

- Medical
 - Medicare
 - Non Medicare
- Dental
- Wellness Program
- Access to Vision plan
- Access to Legal plan

Medical Plan Enrollment



UC medical program covers ~289,600 employees, retirees and their dependents

Financial Background on Retiree Health

- **“Pay-as-you-go” cash costs**
- **Budget impact**
 - CY 2009 cash costs ~ \$230 million
 - CY 2010 cash costs ~ \$255 million
- **Retiree Health Trust (Section 115)**
 - Established July 2007
 - Pre-funding annual liability has not started

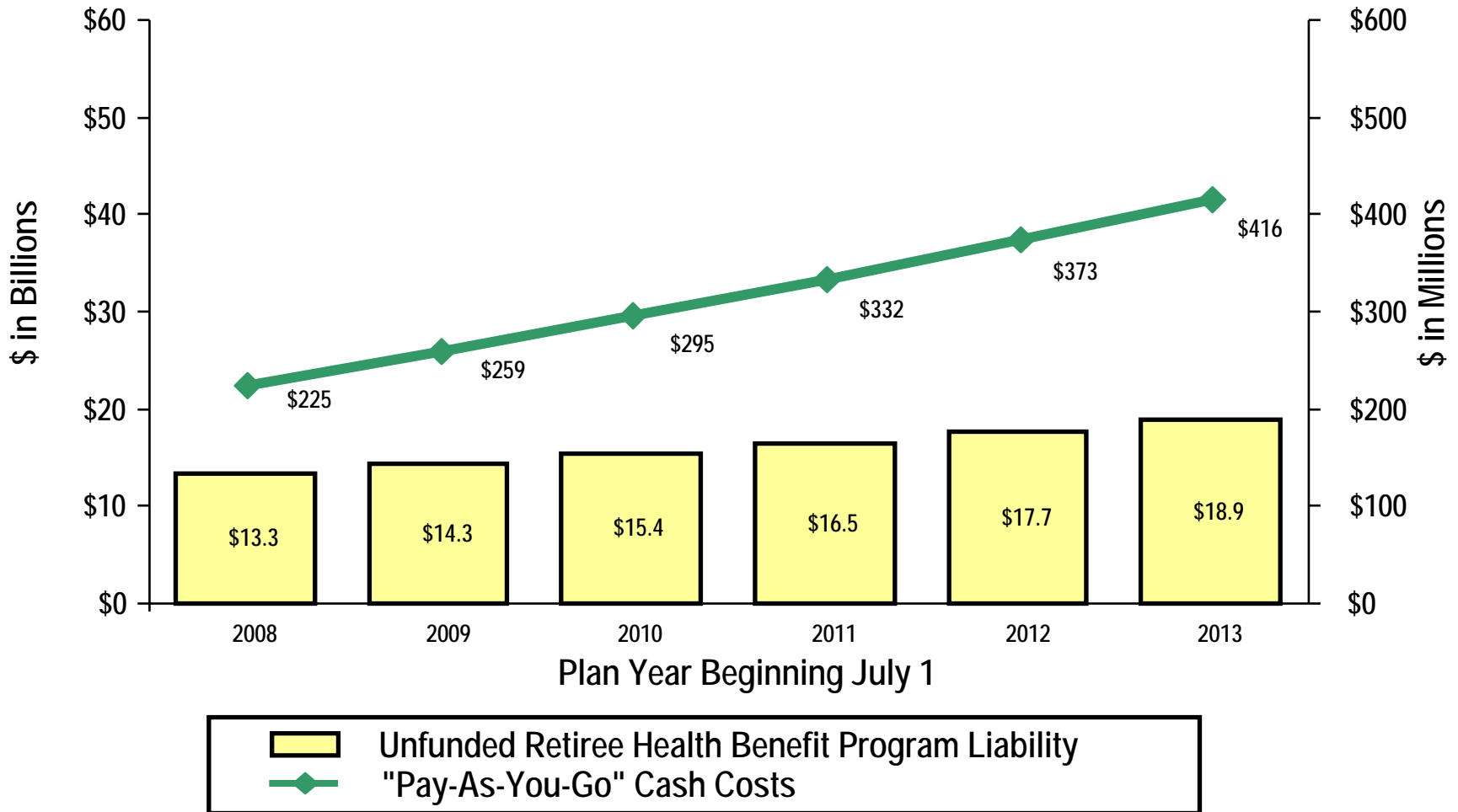
Annual Retiree Health Valuation

- **Financial reporting obligations (GASB)**

- Annual Required Contribution (ARC)
 - Net OPEB balance sheet obligation
- Unfunded actuarial accrued liability

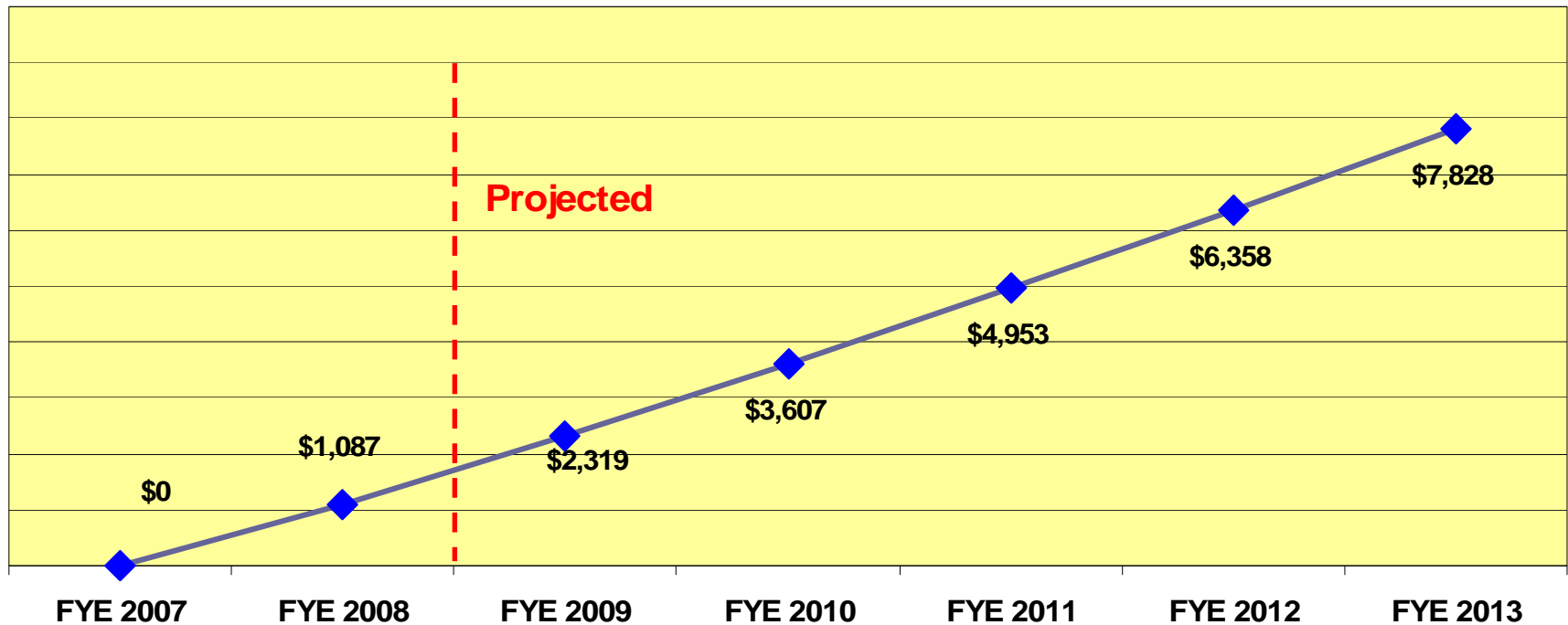
• **Unless changes are made to plan design and/or funding, liability will lead to an erosion of the University's net assets**

Retiree Health Benefit Program Unfunded Liability and Cash Costs



* Based on 7/1/2008 valuation

5-Year Projection Growth in Balance Sheet Obligation



* Based on 7/1/2008 valuation

2010 Retiree Health

- **What is not changing for 2010:**
 - **No change to basic or graduated eligibility**
 - **No change to definition of eligible dependents**
 - **Retiree medical benefits continue to mirror employee benefits**
 - **Blended experience to continue (employees and non-Medicare)**
 - **Retiree dental will continue to be fully paid (subject to graduated eligibility)**

2010 Retiree Health Changes

- **What is changing for 2010:**
 - **The average UC contribution for retirees, as a percent of total premiums (including Medicare Part B), will be more closely aligned with the percent contributed for active employees due to budget constraints and financial reporting obligations**
 - **UC contribution overall average changes from 92% to 89%**
 - **Retiree rates will be increasing**
 - **UC still paying \$25 million more in CY 2010 over CY 2009**

Current PEB Valuation Comparisons

(7/1/2008)

114,200 Active Employees
 29,400 Vested Inactive

64,000 Vested
 50,200 Non-Vested

\$42.6 B*

UCRP

Annuitants
 41,600 Retired
 50,200 Total

113,100 Active Employees

25,800 Eligible Now
 87,300 Earning Eligibility

Retiree Health

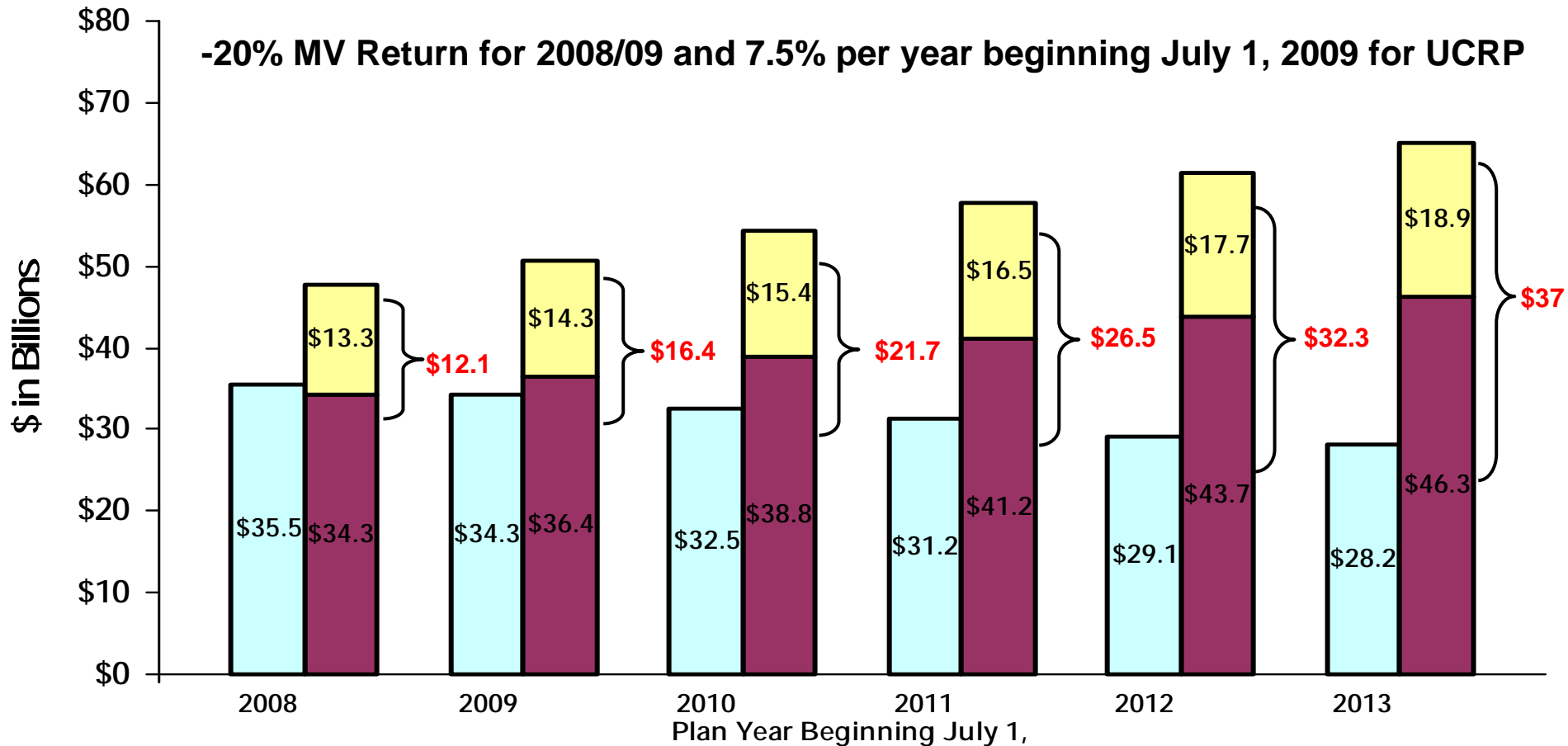
\$13.3 B

Retirees (UCRP & PERS)
 31,500 Primary Lives
 47,800 Total Lives

* Includes campus/medical centers and National Laboratories

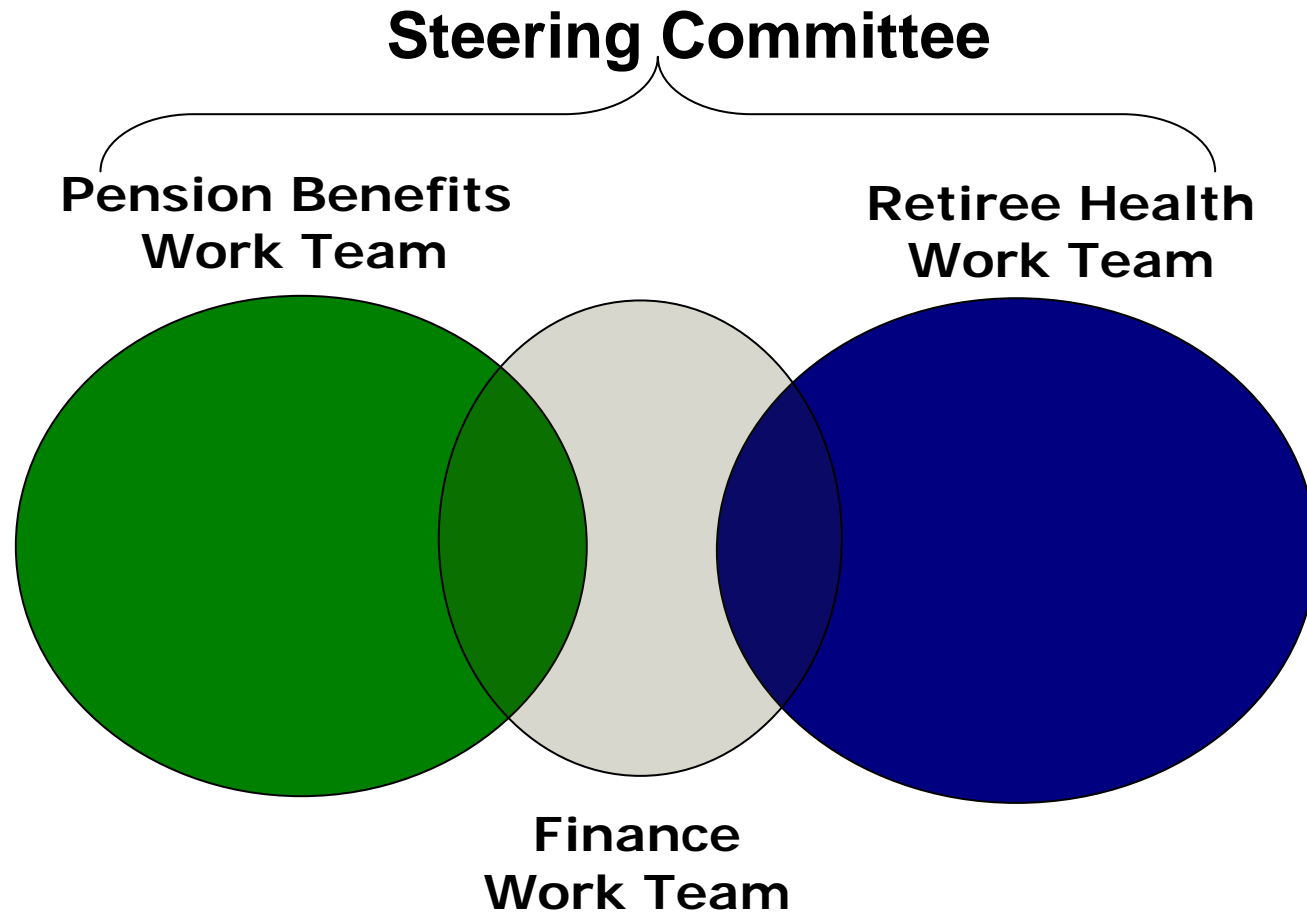
Overview of Employee PEB Assets / Liabilities / Shortfall

-20% MV Return for 2008/09 and 7.5% per year beginning July 1, 2009 for UCRP



■ UCRP Actuarial Value of Assets
 ■ UCRP Actuarial Accrued Liability
 ■ UC Retiree Medical Unfunded Actuarial Accrued Liability

PEB Work Teams Interactive Process



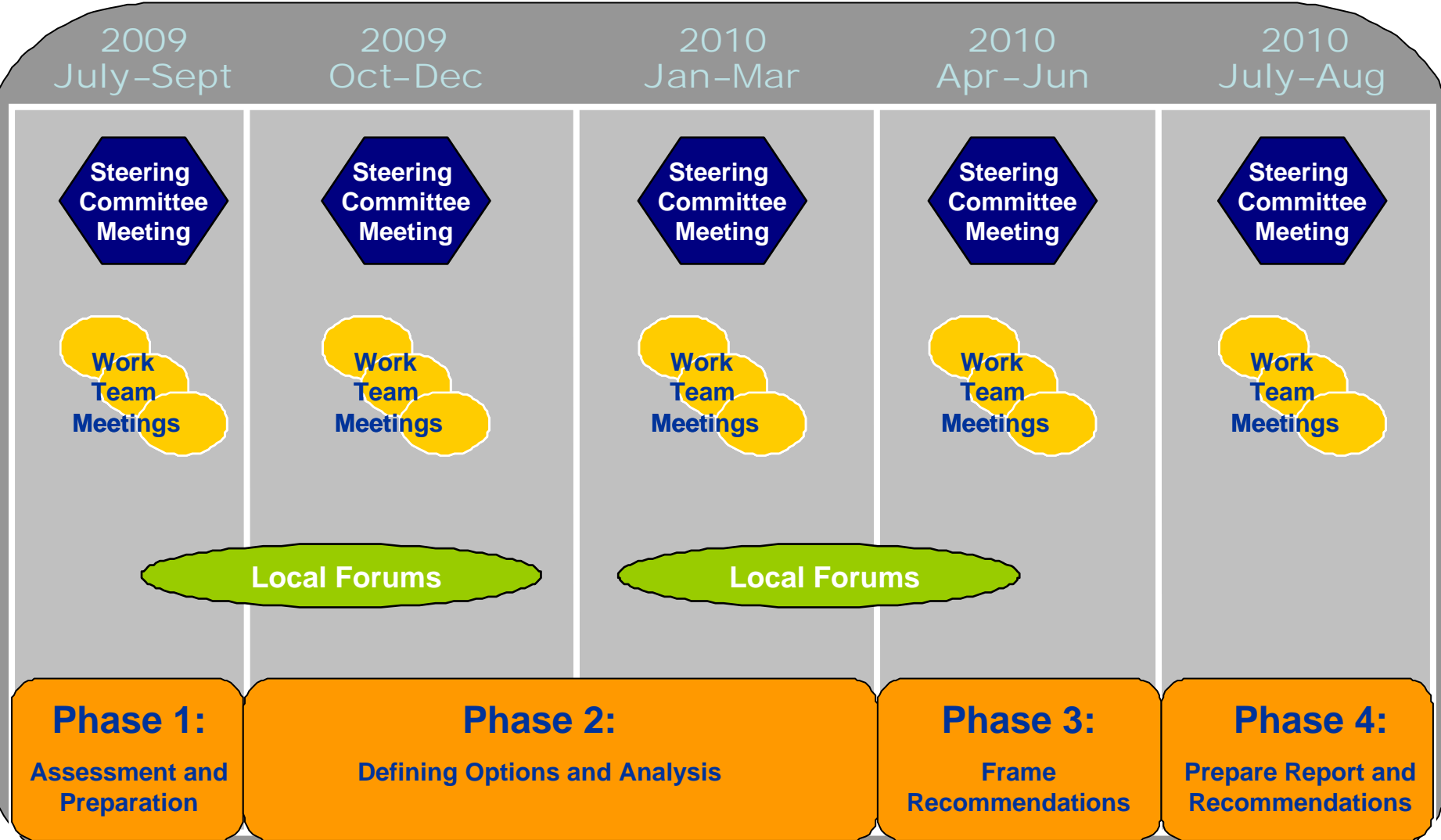
PEB Task Force Mission Statement

The University of California is committed to providing competitive pay and benefits programs to attract and retain excellent faculty and staff to accomplish its mission for the people of California, while ensuring sustainable post employment benefits for current and future retirees.

PEB Task Force Charge

- **Consider the impact of:**
 - **Market competitiveness,**
 - **Talent management, work force development and renewal, work force behavior,**
 - **Affordability and sustainability**
- **Analyze:**
 - **Cost and cash flow**
 - **Long-term funding options & impact on UC financial integrity**
- **Complete work within a reasonable timeframe**
- **Make recommendations which allow the Regents to meet:**
 - **Fiduciary obligations**
 - **Educational responsibilities**

PEB Task Force Process Timeline



Consultation and Communication Process

President's charge: engage in a robust consultation and communication process.

- *Local Forums with stakeholders and advisory groups*
- *Meeting all HEERA obligations with unions*
- *State of California*
- *Website :*
<http://www.universityofcalifornia.edu/news/ucrpfuture/>



QUESTIONS