

Glossary of Terms

Accrued benefits: benefits earned to date by plan members under the plan's provisions.

Actuarial Value: a mathematical calculation of a pension plan's status using assets, liabilities, contributions and actuarial assumptions about future investment earnings, retirements, terminations and mortality. It includes the present value of benefits payable to present members, and the present value of future employer and member contributions, factoring in mortality among active and retired members and the rates of disability, retirement, withdrawal from service, salary and interest. It is the value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The actuarial value of assets may represent an average value over time, and normally differs from the market value (what the plan's investments could be traded for at a particular in time, given market prices for its assets).

Actuarial Value of Assets: Actuarial Value of Assets: a calculated value of assets that spreads investment losses and gains over a five-year period (for UCRP).

Age factor: In the UCRP retirement benefit formula, the percent of pay for each year of credited service.

Amortize: to spread a debt in equal installments over a fixed period. Similar to a mortgage, a pension amortization period has fixed annual amounts with differing levels of principal and interest.

Annual Required Contribution (ARC): A measure of needed plan funding used by GASB (Governmental Accounting Standards Board). The ARC has two parts: the Normal Cost and the Amortization, which is the annual amount needed to eliminate the unfunded liability over the plan's amortization period, which is currently 15 years under the Regents' targeted funding level.

Annuity: payment of an income in regular installments. For UCRP, a retirement annuity is paid each month.

Assumed earnings rate: the rate of investment return (including inflation) that a pension plan is expected to earn over the long term; used in projecting the future value of a plan's assets.

CalPERS or PERS: the California Public Employees' Retirement System.

COLA or Cost-of-Living Adjustment: an increase in pension benefits for inflation.

Covered Compensation: For UCRP, covered compensation is base pay from the University for a regular appointment at the full-time rate. This includes pay for sabbaticals or other paid leave, as well as stipends. It does not include such things as overtime, summer session pay, uniform allowances or amounts over the established base pay rates or pay above the limits established in the Internal Revenue Code (IRC), except to the extent that the implementation of UCRP Appendix E raises or eliminates those limits.

Covered Payroll: eligible earnings (or covered compensation) for UCRP.

A **Defined Benefit plan (DB)** guarantees a benefit based on a formula, usually based on some combination of age, years of service, and pre-retirement earnings. The amount of retirement income is not affected by market fluctuations. The employer bears the investment risk and benefits are funded by combined employer/member contributions and investment earnings.

A **Defined Contribution plan (DC)**: contributions are put into funds whose investments are directed by the member and are subject to market fluctuations. Participants bear the investment risk. Defined contribution plan benefits generally are more portable than other types of retirement plans.

Funded ratio/funded status: A percentage based on plan assets divided by plan liabilities. It indicates relative financial stability.

GASB (Governmental Accounting Standards Board): Organization that formulates accounting standards for governmental units. It is under the auspices of the [Financial Accounting Foundation](#) and replaced the National Council on Government Accounting.

HAPC or Highest Average Plan Compensation is the salary, or covered earnings, averaged over 36 consecutive months. It is used to calculate UCRP pension benefits.

Health Science faculty have academic appointments in a health science school which include such departments as Medicine, Nursing, Dentistry, Pharmacy.

Market Value is the price at which a plan's assets could be traded at a particular point in time.

Normal Cost is the cost of an additional year of service credit for all active UCRP members.

Pay Bands: The University uses "pay bands," or four different levels of salary, to determine the amount of the University contribution to health coverage for active members. The highest University contribution is made for those in the lowest pay band; those in the top pay band receive the lowest University contribution. Retirees' University contribution is based on pay band 2, closest to what would be payable without pay bands.

PERS or CalPERS: the California Public Employees' Retirement System.

PERS Plus 5: Retired members of the University of California Voluntary Early Retirement Incentive Program (the PERS Plus 5 Plan or Plan) were members of PERS while employed at UC who elected concurrent early retirement under PERS and the PERS Plus 5 Plan effective October 1, 1991, who now receive lifetime supplemental retirement income and survivor benefits from the Plan. The supplemental retirement income is wholly funded by a trust that was financed by contributions from employing departments.

Policy contribution: In this Report, UCRP Normal Cost plus an amount towards the unfunded liability.

Reciprocity: Agreements between pension plans to coordinate benefit calculations.

Safety members: UCRP members appointed to eligible police or firefighter positions. These members are eligible to retire earlier and the age factors for their years of service are more generous than those of other UCRP members.

“Smoothing:” UCRP “smooths” or spreads investment gains/losses over five years to avoid short-term effects of market swings on planning based on thirty-year projections.

Social Security Covered Compensation: For each year, the average Social Security wage base for the 35 years ending in that year. The amount is adjusted annually for inflation.

Social Security Supplement: Members with Social Security who retire before age 65 receive a temporary supplement from UCRP, paid through the month of their 65th birthday (or through the month of death, if earlier). This supplement temporarily restores the \$133 reduction applied to a member’s Highest Average Plan Compensation (HAPC) to account for the University’s contributions to Social Security. The supplement is calculated as follows: Benefit percentage x \$133 = monthly temporary supplement (not to exceed \$133).

Total Remuneration: The market measure of the value of cash compensation, health, welfare and retirement benefits to faculty and staff.

Vest or vesting: a right to an asset, such as pension benefits earned to date, that cannot be taken away by any third party.