

Funding Policy History

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% and 7% and the employer contributions went as high as 16.37%. Currently, UCRP’s Normal Cost is 17.6% of covered payroll, approximately \$1.4 billion/year. It has increased over time due to benefit improvements, changes to actuarial assumptions, and a later average entry age for new hires.

In October of 1990 The Regents adopted a “full funding limit” under which contributions would be suspended when UCRP’s surplus was enough to cover the Plan’s Normal Cost. When contributions were suspended in 1990, UCRP was 137% funded, meaning, at that time, the Plan had more assets than liabilities that were allocated to date. Each subsequent year, the Normal Cost was “paid” out of the surplus as it was added to the liability. As a result of the contribution holiday, it is estimated that as of July 1, 2010 UCRP is 86% funded on an actuarial value of assets basis and 71% 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% funded today.

**UCRP Normal Cost and Total Contributions
(Campus and Medical Centers only)**

