

### **Restart of UCRP Contributions**

In February 2009, The Regents authorized restarting UCRP contributions at 4% for UC and 2%/4%<sup>56</sup> 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, balancing the actuarial policy contribution level with available funding and the impact on total remuneration.

The restart of all employer 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% employer cost, which even with employee contributions is far less than the Normal Cost of 17.6%. 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 UC and member contributions are about 6% of covered payroll but, since the Normal Cost is 17.6%, 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).

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<sup>56</sup> UCRP members coordinated with Social Security contribute 2% of covered pay below the Social Security wage base and 4% above it. Contributions are reduced by a \$19 per month offset.