

# UCRP

## Integrated Concept New Tier Modeling

**University of California**

**President's Task Force on Post Employment Benefits**

**Pension Benefits Work Team Meeting**

**June 1, 2010**

**5083231v2**



*In Strict Confidence in Preparation for Collective Bargaining*  
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## Topics Covered

- Features of Integrated Concept New Tier Design
- “Average” Age Factors at Various Levels of Comp
- Design Elements for Remuneration Study
- Normal Cost of Integrated Concept New Tier

## Features of the Integrated Concept New Tier design

### Plan Design Features of the Integrated Concept

Age Factor – 1.5% of HAPC below SS Cov Comp and 3.0% of HAPC above SS Cov Comp

Maximum Accrual Factor – 2.50% of all HAPC

Age Factor Range – 55 to 65

Reduction for Early Retirement – Same as current (5.6% per year)

HAPC – 36 month period

Maximum Benefit Limit – 100%

Post-Retirement COLA – Inflation up to 2% per year and ad hoc to ensure retained purchasing power of 80%

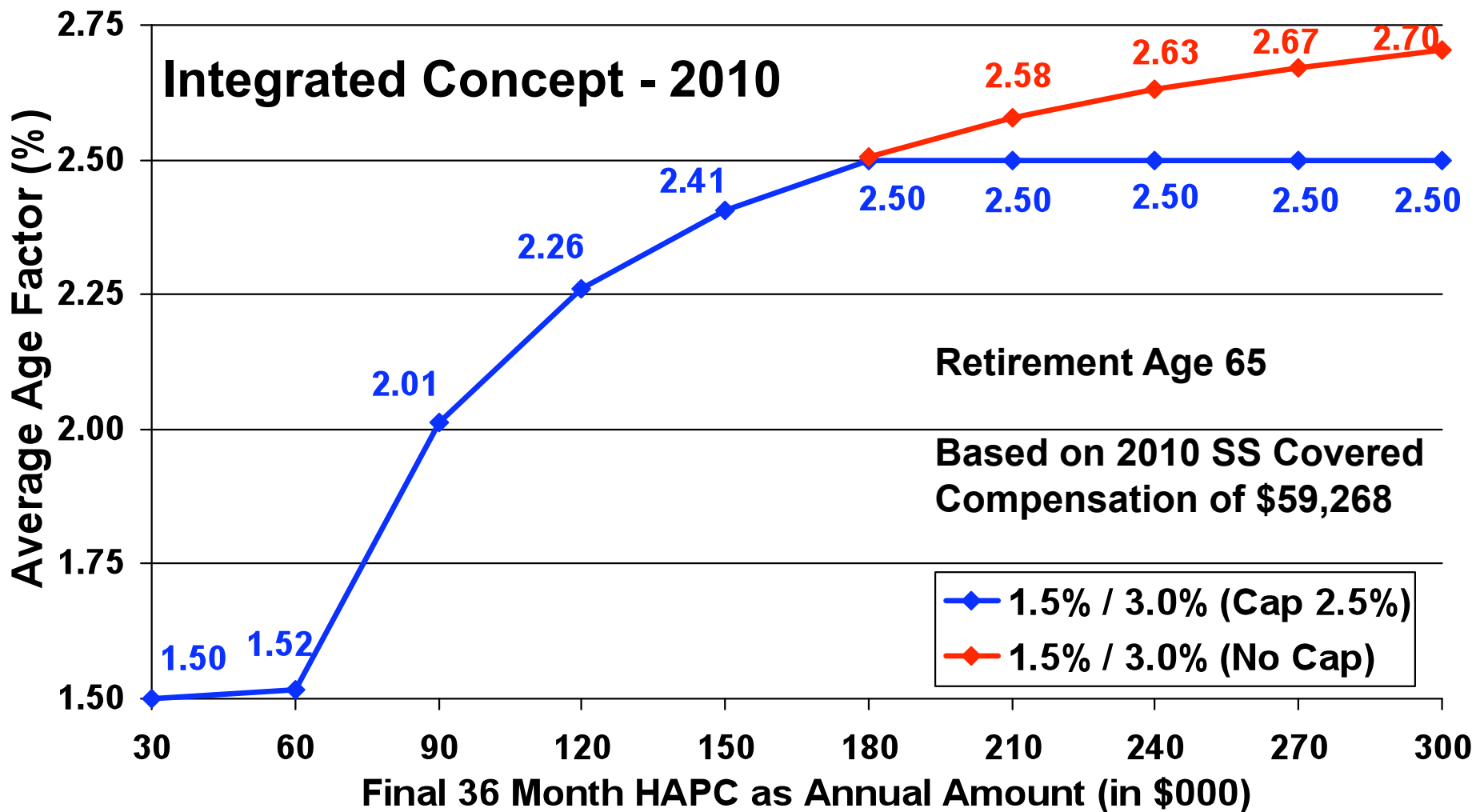
Vesting – 5 years

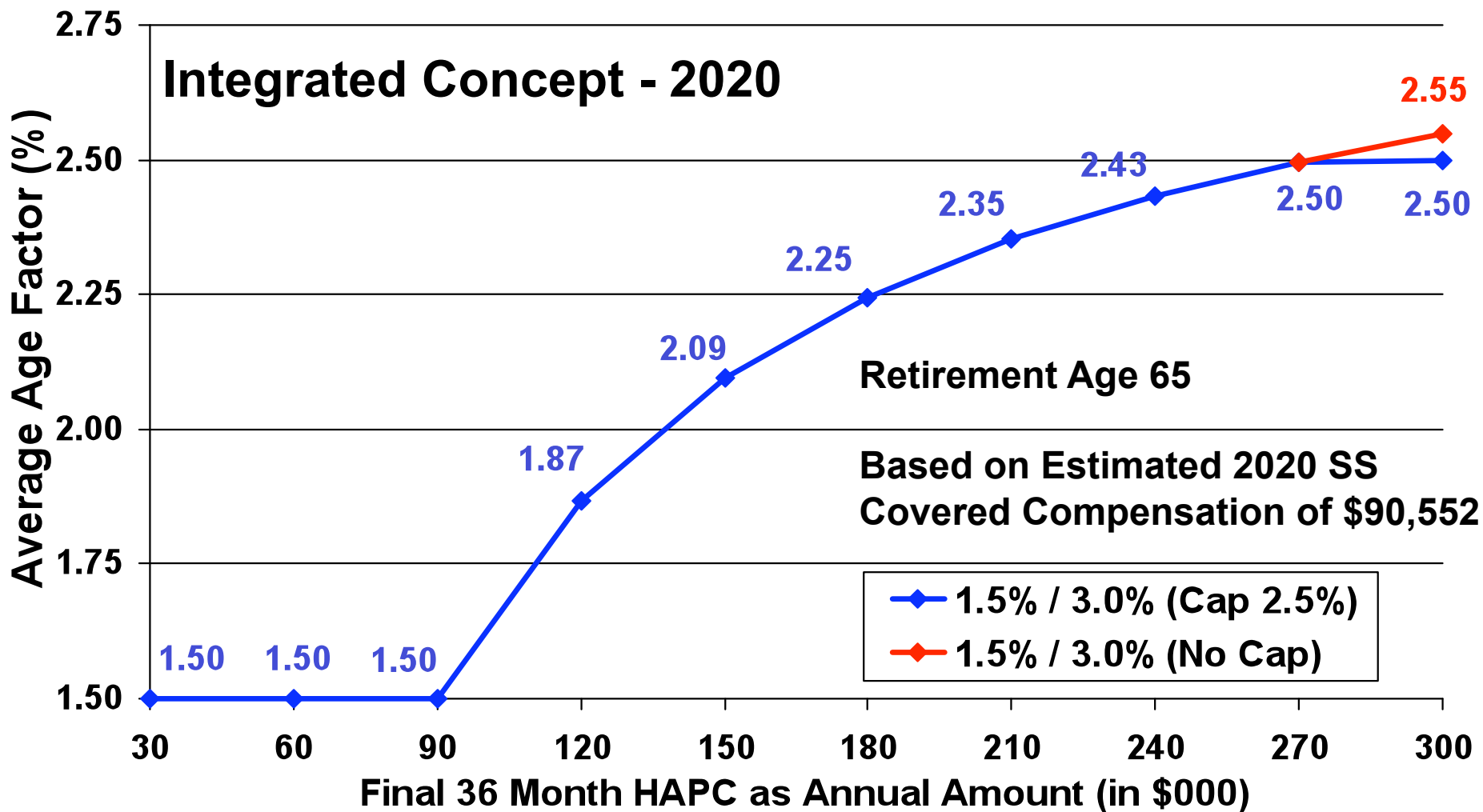
Disability Benefits – Included (subject to review outside of TF)

Reciprocity - Included

New tier does not include:

- Lump Sum Cashout
- Inactive COLA
- Subsidized Survivor Benefits
- Social Security Supplement
- \$133 Offset to HAPC
- \$19 Offset to Member Conts





## Integrated Concept New Tier Design Elements for Remuneration Study

<b>Benefit Formula</b>	<b>Max Accrual Factor</b>	<b>Maximum Benefit Limit</b>	<b>Retained Purchasing Power</b>	<b>Early Retirement Reduction</b>	<b>Member Contribution Rate</b>
1.5% / 3.0%	2.5%	100%	80%	5.6%	3.5% / 9.5%

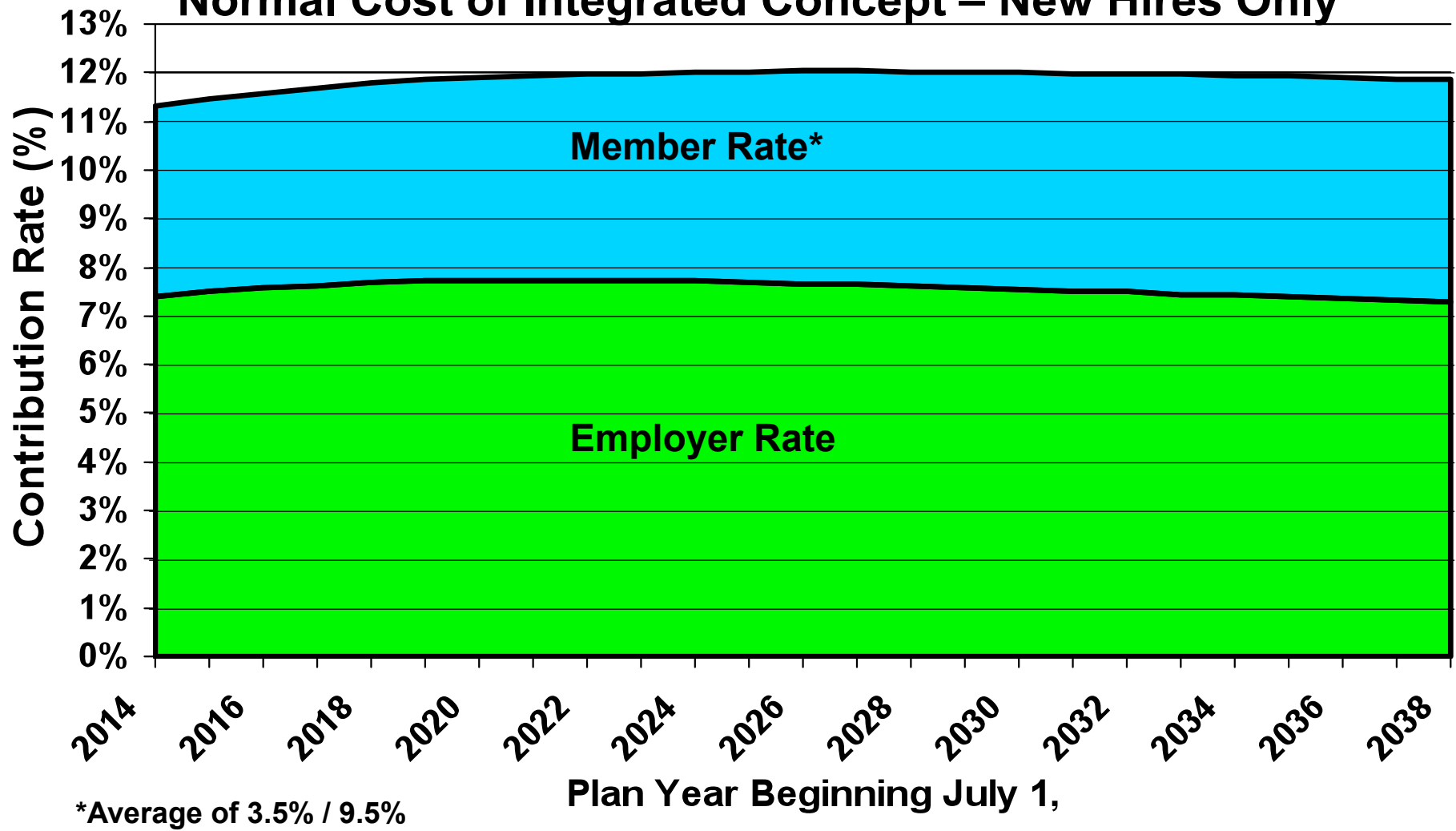
- Above design components to be used in Total Remuneration Study
- Member contribution rates initially based on “Benchmark for Employee Contributions in the Integrated Concept” Document
  - General Intent: make total employer contribution to SS and UCRP a uniform percentage of compensation across all income ranges
  - Further modified by Pension Team subgroup based on averages over the period from 2014 to 2038 for new hires only
- First member rate applies to pay below SS Cov Comp; Second member rate applies to pay over SS Cov Comp (No \$19 Offset)

## Long-Term Normal Cost of Integrated Concept for New Hires Only

<b>Estimated Long-Term Total Normal Cost</b>	<b>Member Contribution Rate</b>	<b>Estimated Long-Term Employer Normal Cost</b>
<b>11.9%</b>	<b>3.5% / 9.5%</b>	<b>7.3%</b>

- First member rate applies to pay below SS Cov Comp;  
Second member rate applies to pay over SS Cov Comp; No \$19 Offset
- Results are from new tier forecast for new hires only
  - New hire demographics and proportion of total comp above SS Cov Comp level fluctuate over time
    - Cost allocation between members and employer fluctuates over time
  - Based on current UCRP actuarial assumptions
    - Exception is new retirement rates developed by Deloitte and Segal
      - Assumes later retirements than current UCRP assumptions

### Normal Cost of Integrated Concept – New Hires Only



## Normal Cost of Integrated Concept – New Hires Only

- Summary of information from previous graph in table format

<b>Plan Year Beginning July 1,</b>	<b>2014</b>	<b>2018</b>	<b>2022</b>	<b>2026</b>	<b>2030</b>	<b>2034</b>	<b>2038</b>
<b>Member Rate*</b>	<b>3.9%</b>	<b>4.1%</b>	<b>4.2%</b>	<b>4.4%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.6%</b>
<b>Employer Rate</b>	<b>7.4%</b>	<b>7.7%</b>	<b>7.7%</b>	<b>7.7%</b>	<b>7.5%</b>	<b>7.4%</b>	<b>7.3%</b>
<b>Total Normal Cost</b>	<b>11.3%</b>	<b>11.8%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>11.9%</b>	<b>11.9%</b>

\*Average of 3.5% / 9.5%