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UC Board of Regents Approves New Retirement Program

The University of California Board of Regents has approved a new retirement program for future UC employees. Proposed by President Napolitano, the plan is part of a broader effort to maintain the university's excellence and sustain its long-term financial health.

The new retirement program will apply only to UC employees hired on or after July 1, 2016. Current employees and retirees are not affected by these changes because accrued pension benefits are protected by law and cannot be reduced or revoked.

The new program, which is consistent with the [2015 budget agreement with the state](#), will bolster the long-term financial stability of UC and its retirement program, while providing critical funding for many university priorities through savings generated by the plan and through additional funds UC will receive from the state.

Under the 2015 budget agreement, UC is receiving nearly \$1 billion in new annual revenue and one-time funding over the several years, including \$436 million to help pay down UC's unfunded pension liability. As part of the agreement, UC is implementing a cap on the pensionable earnings of future employees, mirroring the limit on pension benefits for state employees under the 2013 California Public Employees' Pension Reform Act (PEPRA). The university expects to save on average \$99 million a year by implementing the pension cap, over half of which will go toward further paying down UC's unfunded liability.

“When we approved the budget agreement between the governor, the Legislature and this body, we did so committing ourselves to proactively developing a set of retirement options that are financially prudent, are oriented toward the long-term sustainability of the university and that allow us to effectively recruit and retain the very best faculty and staff,” Regent Monica Lozano said. “The [retirement] options on the table go a long way toward meeting those three very important objectives.”

Under the proposal approved by the regents, future employees will be offered a choice between two options:

- **Option 1 - Pension + 401(k)-style supplemental benefit:** The current UC pension benefit capped at the PEPRAs salary limit (currently \$117,020) plus a supplemental 401(k)-style benefit for eligible employee pay up to the Internal Revenue Service limit (currently \$265,000), or
- **Option 2 - New 401(k)-style benefit:** A new stand-alone 401(k)-style plan with benefits-eligible employee pay up to the Internal Revenue Service limit (currently \$265,000).

Maintaining a pension benefit — along with a 401(k)-style supplement (Option 1) — is important to attracting and retaining the caliber of personnel needed to maintain UC’s excellence, especially faculty for whom the university often competes against elite private institutions that can often pay more than UC.

At the same time, UC’s workforce is highly diverse and people have different retirement needs and goals. The new stand-alone 401(k)-style retirement benefit (Option 2) may be attractive to employees who work at UC for only a few years and want a portable retirement benefit they can take with them, and/or who prefer to personally manage their retirement savings.

The vast majority of future staff would not see any difference in their benefits compared to current employees. Based on current data, 79 percent of current employees would not be affected by the PEPRAs cap.

You can read more details about the approved retirement benefits [here](#).

Other elements of employee compensation were also discussed, including employee salaries and the university’s ability to recruit and retain quality faculty and staff. President Napolitano noted for the regents that employee salaries remain an issue

for certain employee groups and that she intends to propose ways to address competitive employee pay at future regents' meetings.

In addition to new retirement options for future UC employees, the president's plan will:

- Focus on overall employee compensation by (1) allowing UC to budget for regular pay increases for faculty and staff, and (2) making merit-based pay a regular component of systemwide salary programs to reward employees based on performance.
- Help preserve UC's quality by devoting resources to assist campuses in attracting and retaining faculty and key staff, and improve the student experience.
- Offer enhanced retirement counseling and education for all employees, including new hires, as part of UC's commitment to helping employees successfully plan for retirement.

Last summer after the 2015 budget agreement was finalized, President Napolitano [convened a task force](#) to recommend options for the new retirement benefits. The task force presented her with its recommendations in December 2015.

In January and February, the president solicited feedback on the recommendations from the UC community. She received comments from more than 300 faculty and staff, which she used to help inform the proposal she brought to the regents.

About UC Santa Barbara

The University of California, Santa Barbara is a leading research institution that also provides a comprehensive liberal arts learning experience. Our academic community of faculty, students, and staff is characterized by a culture of interdisciplinary collaboration that is responsive to the needs of our multicultural and global society. All of this takes place within a living and learning environment like no other, as we draw inspiration from the beauty and resources of our extraordinary location at the edge of the Pacific Ocean.