

## Update on 2007 Total Compensation UC HR/Benefits

In September 2005 the Regents approved RE-61 (<http://www.universityofcalifornia.edu/regents/regmeet/sep05/re61.pdf>), reaffirming UC's commitment to competitive total compensation—pay, benefits and retirement—for *all* UC employees. Now that we have a better idea of what health insurance costs for 2007 are, we wanted to update you on what things are looking like for this coming year in terms of your total compensation.

### Medical Plan Increases

As has been previously announced, the cost of healthcare is rising in California and across the country, and there is little UC can do to avoid this economic reality. Medical premium costs for UC will increase by about 11.7% in 2007; this is comparable to the 11.9% increase experienced by CalPERS. UC will pay a large part of the cost increase, but employees as a group will also pay more in 2007.

How much more will you pay? Rates are not yet final, and the amount you will pay depends on your salary, your medical plan choice and the dependents you cover. Medical plan increases may be subject to collective bargaining for represented employees, as required. However, here are some examples that give you a sense of the size of the impact, looking at the Health Net medical plan (the plan with the highest enrollment) under proposed rate increases:

| Example: Health Net HMO | 2006 Employee Contribution |        | 2007 Employee Contribution |        |
|-------------------------|----------------------------|--------|----------------------------|--------|
|                         | Single                     | Family | Single                     | Family |
| Pay Band 1              | \$12                       | \$53   | \$21                       | \$94   |
| Pay Band 2              | \$26                       | \$111  | \$42                       | \$161  |
| Pay Band 3              | \$45                       | \$174  | \$70                       | \$239  |
| Pay Band 4              | \$69                       | \$244  | \$96                       | \$311  |

*This is just an example, based on proposed 2007 rates. Actual 2007 rates will be communicated in early October, well ahead of your November Open Enrollment period.*

UC will continue to pay the overwhelming majority—over 86%, on average—of the cost of your medical coverage in 2007 including much of the cost of your dependent coverage (especially for children). CalPERS, by comparison, pays 77%-82% of the cost of the statewide HMO. In real dollars, UC and employees spent approximately \$709 million to fund medical benefits in 2006. Of this, UC paid \$623 million and employees paid the rest. For 2007, the projected total cost is \$792 million dollars, an \$83 million increase over last year. UC's proposed funding for 2007 will rise to \$673 million, or \$50 million more than in 2006, an 8.1% increase.

In addition to increasing its medical plan funding in 2007, UC remains committed to offering plan choices and access to high-quality care. UC is *not* reducing medical plan coverage, and these key features of our healthcare program are not changing:

- Choices, so you can manage your own costs and find the medical plan that fits you best
- Tax advantages with pre-tax premiums and the voluntary Health Care Reimbursement Account (HCRA)

### How Our Total Compensation Stacks Up

In an independent study commissioned with Mercer Human Resource Consulting in 2005, UC's total compensation package—pay, benefits and retirement—was found to be competitive overall. Salaries, however, were below the market, while benefits, especially retirement, were above market.

The Regents have made a commitment to bring salaries up over a 10-year period. With this year's salary funding increase and changes in benefit costs, UC is carefully watching the balance between pay and benefits—and will continue to do so over the long term.

- Free dental and vision coverage, fully paid by UC
- Contributions set according to pay, to protect employees in the lower pay ranges from the full impact of premium increases

Specific details will be available by early October, well ahead of your November Open Enrollment period. As you learn more about healthcare cost increases this fall, keep in mind your total compensation picture, including your healthcare benefits, retirement benefits and cash compensation.

### **Salary Increases**

UC received some very welcome news this year in that the final state budget for 2006-2007 included a 4% funding increase for salaries and benefits. This was 1% more than the 3% that was expected under the budget agreement with Governor Schwarzenegger. However, keep in mind that the specific salary increase you receive depends on a number of factors.

As was recently announced, the salary program 2006-07 is as follows:

- **Staff non-represented employees**—Of the 4% increase, 3.5% will fund a merit pool effective October 1, 2006. The other 0.5% will be used to make salary adjustments to address significant market competitiveness and equity issues.
- **Staff represented employees**—Salaries for represented employees are governed by collective bargaining agreements.
- **Academic employees**—With only a few exceptions, academic appointees will receive approximately a 2% salary range adjustment, effective October 1, 2006. If you are an academic appointee, information about your pay is available from your divisional academic personnel office.

UC's 2006-07 salary program is in line with the Regents' 10-year plan to bring salaries, on average, to market levels and to help rebalance UC's total compensation package.

### **UCRP Contribution Restart**

The UC Retirement Plan (UCRP) is a significant part of your total compensation package, providing security after you retire. Unlike most public institutions, UC has enjoyed a long "funding holiday" since the early 1990s, during which time neither UC nor employees have had to make contributions because the plan's investment earnings were large enough. Soon, however, contributions—both from UC and participants—will be needed in order to keep the plan fully funded and protect future benefits. This is a prudent measure, especially at a time where failing public and private pension plans are making the news across the country.

To minimize the impact of restarting contributions, UC's intent for the initial restart is to shift the mandatory contribution you currently make to your DC Plan account (just under 2% for most participants) and redirect it to the UCRP. Contributions are scheduled to restart for July 1, 2007, subject to the availability of funding, the budget process and collective bargaining for represented employees. This means there will be no reduction in your take-home pay due to the restart of your pension plan contributions, and, most importantly, **UCRP benefits are not being cut.**

## **The Total Package**

With these changes to your pay and benefits, UC is keeping an eye on the total compensation package and the balance between salaries and benefits. While we have begun to move the needle on salaries, UC is watching benefits, too. We are doing the best we can, in the current economic climate, to ensure that UCRP stays secure and that your access to high-quality healthcare remains within reach.

## **Learn More About the Benefits of Belonging**

Visit *At Your Service* (<http://atyourservice.ucop.edu>) to learn more about your benefits and the value of your total compensation. Here are some helpful tools:

- *At Your Service Online* (<https://atyourserviceonline.ucop.edu/ayso>) provides personalized estimates of your UCRP monthly benefit and lump sum cashout based on current salary and work hours. Employees must log in with SSN or username and password for access.
- *Retirement Plan Benefit Estimator* ([http://atyourservice.ucop.edu/online\\_actions/ucrpcalc/estimator/html](http://atyourservice.ucop.edu/online_actions/ucrpcalc/estimator/html)) allows you to model various scenarios (pay, age, retirement dates) to estimate your lump sum cashout and monthly retirement benefits.

More information on 2007 medical plan costs will be included in your Open Enrollment materials, available in October (Open Enrollment is November 1-21).