The Facts: Your pension and the UC Retirement Choice Program proposal

Q. Who does UC's Retirement Choice Program proposal apply to?
A. The program would apply to only new service employees hired after a new contract is ratified, under the university's proposal. Under this program, new employees could choose between the current UCRP defined-benefit pension and a 401(k)-style plan.

All **current service employees will stay on their current pension plan** and will see no change in their accrued UCRP pension retirement benefits. Accrued UCRP benefits are protected by law and cannot be reduced or revoked.

Q. What is the Retirement Choice Program that UC is proposing for new service employees?
A. The proposed UC Retirement Choice Program is a new set of retirement benefits that would be offered to future service employees when a new contract is ratified. The program offers these employees a choice between a pension and a 401(k)-style plan.

This program came out of the 2015 budget agreement between UC and the state. UC agreed to implement a new category of pension benefits for new employees that mirrors the cap the state of California enacted in 2013. This cap, known as the California Public Employees' Pension Reform Act (PEPRA), limits the amount of employee pay (currently $118,775, adjusted annually) that counts toward pension benefits. As a result, UC developed the 2016 Retirement Choice Program, which also includes the addition of the 401(k)-style plan. The program is part of a broader effort to maintain UC's excellence and long-term financial health.

Q. Why is the Retirement Choice Program being offered in union negotiations?
A. Benefits for union-represented employees are subject to bargaining. UC believes in fair treatment for all employees, and is simply offering newly hired represented employees the same benefits as newly hired non-union employees.

Q. What if a new service employee hired after contract ratification doesn't want the 401(k)-style plan – can he/she still be in the UC pension plan?
A. Absolutely. Under the Retirement Choice Program, employees choose which option they think is right for them depending on their age, how long they plan to work at UC, their personal financial situation and other factors. The pension remains an option for those who prefer it.

Here's how it works: A newly hired eligible employee would have 90 days to choose between a pension and 401(k)-style plan. If they don't make a selection within 90 days, the default is the pension plan. In other words, an employee must affirmatively choose to be in the 401(k)-style plan and no new hire will be defaulted into the 401(k)-style plan.

Q. If a significant number of new employees choose the 401(k)-style option, will it "destabilize" the UC Retirement Plan (UCRP)? Will it compromise UC's ability to provide long-term pension benefits?
A. No – accrued pension benefits are safe. The health of the UCRP is not dependent on how many new employees choose it. UC's independent actuary has confirmed that as long as UC continues to make contributions to its unfunded liability, which remains a key university priority, allowing new employees to elect the 401(k)-style option does not jeopardize UC's ability to pay pension benefits.

Q. If a lot of new employees choose the 401(k)-style option, will UC still pay me my full UCRP pension benefits?
A. Yes. UC is obligated, both by law and university policy, to pay all earned UCRP benefits. Accrued UCRP pension benefits are protected by law and cannot be reduced or revoked.

Q. How many new service employees will be affected by the PEPRA cap?
A. None. This is because the salary range for service employees is less than and unaffected by the PEPRA cap.

Q. Will UC continue to pay down its unfunded pension liability if a significant number of future employees choose a 401(k)-style plan?
A. Yes. Reducing UC's unfunded pension liability remains a key budget priority. UC contributes the same amount toward the unfunded liability, regardless of which retirement benefits new employees choose.

Q. I have heard that UC must spend $500 million to fund the 401(k)-style option. Is this true?
A. No, this is not accurate. That estimate is fundamentally flawed because it misinterprets certain costs of the new program. The fact is the new choice program does not impact UC's cash flow or operating costs.

Q. Where can I learn more about the Retirement Choice Program?
A. More information is available on our Retirement Choice Program webpage: http://ucnet.universityofcalifornia.edu/compensation-and-benefits/retirement-benefits/2016-retirement-choice/index.html