INCREASED CONTRIBUTIONS TO THE UC RETIREMENT PLAN (UCRP)

BEGIN JULY 1, 2011.

Beginning July 1, 2011, faculty, staff and UC Hastings will contribute more to the UC Retirement Plan (UCRP). The increased contributions from both employee and employer are needed to assure the future viability of the program as the primary means of providing some measure of income security in retirement.

The 2 percent contribution that had been deducted from salary and directed to the Defined Contribution Plan (DCP) is currently being redirected as the contribution to the UCRP. This began with the May 1, 2010 paycheck. At this same time, UC Hastings began contributing 4% of total payroll. Beginning with the August 1, 2011 paycheck for July 2011 earnings, rates for faculty and staff will rise to 3.5 percent of pay, and UC Hastings will pay 7.8 percent of pay. All employee contributions are pre-tax.

The amount will increase again in July 2012, with employees paying 5 percent and UC Hastings paying 10.8 percent. Further contribution rate increases for employees after 2012 have yet to be determined and will be subject to collective bargaining for represented employees.

The University of California Regents approved the increases last fall as part of a plan to address UCRP’s unfunded liability. For almost 20 years, until the spring of 2010, UC Hastings and its faculty and staff did not pay into the retirement plan because the plan maintained a surplus. But a combination of factors – steep market losses, the lack of employee and employer contributions and changing demographics – led to a deficit.

Until the University of California, UC Hastings and its employees together begin contributing enough to cover the annual increase in cost for active members, the pension program’s current $14 billion unfunded liability will grow.

In the past year, the Regents have taken a number of actions to address the pension shortfall. Those actions include establishing a new tier of benefits for employees hired beginning July 1, 2013, and approving internal borrowing options to better fund the pension plan.

Should you have any further questions regarding the UCRP and employee or employer contributions, do not hesitate to contact UC Hastings Human Resources.