

## Confronting the cost of retirement benefits: How UC stacks up

Like public and private employers throughout California and across the country, UC is grappling with the issue of sustaining good retirement benefits for employees. Even with changes adopted in 2010, UC benefits remain competitive with those of other employers, and UC faculty and staff still pay less for retirement benefits than many other workers. Here are some facts about how UC's contributions stack up:

- At comparable universities with pension plans similar to UC's, employees contribute up to **8 percent of pay** for retirement benefits; employers contribute **as much as 18.9 percent of pay** for pension benefits. Effective July 1, 2012, UC employees pay 5 percent and the university pays 10 percent. Beginning July 1, 2013, current employees will pay 6.5 percent, new employees will pay 7

percent for a new tier of benefits, and UC will pay 12 percent for all employees.

- Employees in CalPERS, the state pension plan, currently contribute **up to 10 percent of pay** for their pension benefits while employers pay **16-33 percent of pay**.
- Beginning Jan. 1, 2013, new employees in CalPERS will contribute about 6 percent of pay for a new pension plan tier that raises the maximum age factor to 67 and limits compensation used to calculate the retirement benefit.
- According to a 2009 Watson Wyatt study, about 45 percent of Fortune 100 companies offer traditional or hybrid pensions to new employees, down from 49 percent in 2008 and 90 percent in 1998.

Both UC and CalPERS will implement new tiers of their pension plans for employees hired in 2013. The chart below compares the two plans:

	UC Retirement Plan 2013 Tier	CalPERS New tier effective Jan. 1, 2013
Earliest Retirement Age	55 with 1.1% age factor*	52 with 1% age factor*
Minimum age to receive full benefits	65 with 2.5% age factor*	67 with 2.5% age factor*
Compensation used for benefits calculation	Highest average base pay over a 3-year period; Maximum: \$250,000	Highest average base pay over a 3-year period; Maximum: Social Security wage base, currently: \$110,800
Employee contribution	7%	½ of normal cost = ~ 6%
Employer contribution	12%	16.7-33.7%

\* Age factor is the percentage used to calculate your retirement benefit. UCRP age factors begin at 1.1 percent for age 55 and increase to 2.5 percent at age 65.

For additional information comparing UCRP to retirement plans for other universities and private employers, see the other side.



	MINIMUM AGE/SERVICE REQUIRED TO RECEIVE BENEFITS	PENSION PLAN CONTRIBUTIONS		DC PLAN CONTRIBUTIONS*	
		EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE
<b>UC</b> Current	Age 50/5 years	10%	5%	None	Voluntary
July 2013 Current employees	Age 50/5 years	12%	6.5%		
July 2013 New/returning employees	Age 55/5 years	12%	7%		
<b>CalPERS</b> Current	Age 50/5 years	16.7-33.7%	5-10%	None	Voluntary
January 2013 New Employees	Age 52/5 years	16.7-33.7%	6%		
<b>Stanford</b>	Any time after leaving employment, but federal penalties may apply if benefits disbursed before age 59 ½	Does not offer		1-5% based on service plus 1.5-5% match on employee contributions	Voluntary
<b>State University of New York**</b>	<b>Pension Plan:</b> Age 55/10 years <b>DC Plan:</b> One year after leaving employment; federal penalties may apply if benefits disbursed before age 59 ½	18.9%	3%	8-10%	3%
<b>University of Illinois**</b>	<b>Hired before 1/1/11:</b> Any age/30 years or 55/8 years <b>Hired on or after 1/1/11:</b> Age 62/10 years	9.1%	8%	7.6%	8%
<b>University of Virginia***</b>	<b>Pension Plan</b> <b>Hired before 7/1/10:</b> Age 50/10 years <b>Hired on or after 7/1/10:</b> Age 60/5 years <b>DC Plan:</b> Any time after leaving employment; federal penalties may apply if benefits disbursed before age 59 ½	5%	5%	8.9%	5%
<b>University of Michigan</b>	<b>Employee contributions and earnings:</b> Any time after leaving employment; federal penalties apply if benefits disbursed before age 59 ½ <b>Employer contributions and earnings:</b> age 55	Does not offer		10%	5%
<b>Harvard</b>	Any time after leaving employment, after 3 years of service; federal penalties apply if benefits disbursed before age 59 ½	Does not offer		5-15%, based on age and pay	Voluntary
<b>IBM</b>	Any time after leaving employment; federal penalties may apply if benefits disbursed before age 59 ½	Does not offer		<b>Hired by 12/31/04</b> 2-4% + matches employee contributions up to 6% of pay  <b>Hired after 12/31/04</b> 1% + matches contributions up to 5% of pay	Voluntary
<b>Genentech</b>	Any time after leaving employment; federal penalties may apply if benefits disbursed before age 59 ½	Does not offer		2% + matches, employee contributions up to 4% of pay	Voluntary

\* DC or Defined Contributions plans are similar to 401(k) and 403(b) plans; participants direct the investments and bear the investment risk.

\*\* Employees have one-time choice of pension or defined contribution plan.

\*\*\* Faculty and management employees have a choice of a pension or defined contribution plan; staff generally have only a pension plan.