Increase on UC Retirement Plan Contributions

Faculty, staff and the University will contribute more to the UC Retirement Plan (UCRP) beginning July 1.

Rates for most faculty and staff will rise to 3.5 percent of pay, up from roughly 2 percent for most employees. The University will pay 7 percent of pay, up from 4 percent. The amount will increase again in July 2012, with employees paying 5 percent and the University paying 10 percent.

Faculty and staff will see the increased contributions reflected in their regular paychecks for July earnings which are available between July 20 and August 6, depending on whether employees are paid biweekly, monthly or on another cycle. All employee contributions are pre-tax.

The new contribution levels affect only active members of the UCRP and are subject to collective bargaining for represented employees.

The 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, the University, 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 contributions and changing demographics) led to a deficit.

Until the University and its employees together begin contributing enough to cover the annual increase in cost for active members (in excess of 17% of pay), the pension program’s current $14 billion unfunded liability will grow, adding to the pressures on UC’s operating budget.

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.

Learn more about UCRP and Regents’ actions to reduce the plan’s unfunded liability at the Future of UC Retirement Plan website: http://universityofcalifornia.edu/sites/ucrpfuture/.