



1111 Franklin Street  
Oakland, CA 94607-5200  
Phone: (510) 987-9074  
Fax: (510) 987-9086  
<http://www.ucop.edu>

December 16, 2010

CHANCELLORS  
MEDICAL CENTER CHIEF EXECUTIVE OFFICERS  
DIRECTOR – LAWRENCE BERKELEY NATIONAL LABORATORY

*RE: Long-Term Budgeting for the Cost of Employer Contributions to the University of California Retirement Plan from all Payroll Sources, Including Contracts and Grants*

Dear Colleagues:

As you are aware, following a contribution holiday that lasted nearly two decades, The Regents approved the restart of University of California Retirement Plan (UCRP or Plan) contributions and have established contribution rates through fiscal year 2012 (i.e., plan year 2012-2013).

The purpose of this letter is to remind locations to properly budget for the required current and future employer UCRP contributions and to allocate the additional costs to the appropriate funding sources. Since the federal Office of Management and Budget considers required contributions to an institution's pension plan to be an allowable cost, it is essential that the proportionate cost of the UCRP employer contributions be correctly allotted to contracts and grants.

The table below provides the UCRP employer contribution rates on covered compensation that have been approved by The Regents through fiscal year 2012. The table also provides a projection of the prospective UC employer contribution rates that are expected to be approved by The Regents in the future.

**UCRP CONTRIBUTION RATES**

Effective Date	UC Employer Contribution
	(Approved Rates)
Current	4 percent
July 1, 2011	7 percent
July 1, 2012	10 percent
	(Prospective Rates / Not Yet Approved)
July 1, 2013	12 percent
July 1, 2014	14 percent
July 1, 2015	16 percent
July 1, 2016	18 percent
July 1, 2017	20 percent

#### Background

The current UCRP employer contribution, as approved by The Regents in February 2009, is 4 percent of covered compensation of all UCRP active members and should be derived from all funding sources that pay member salaries. The employer contribution should cover all exclusively represented members whether or not negotiations with unions

concerning UCRP employee contributions have been finalized. The 4 percent UCRP employer contribution became effective on April 15, 2010 and is in effect until June 30, 2011.

At their meeting in September 2010, The Regents approved increasing both UCRP employer and employee contributions for fiscal years beginning 2011 and 2012, based on recommendations from the President to mitigate UCRP's growing unfunded liability. Effective July 1, 2011, the UCRP employer contribution will be 7 percent of covered compensation of all active UCRP members. The employer contribution rate increases beginning July 1, 2012 to 10 percent of covered compensation of all active UCRP members. For budgetary planning purposes, it should be assumed that the required UCRP employer contribution rate will be increased from 10 percent to 12 percent, effective July 1, 2013, and will increase by an additional 2 percent each July 1 thereafter, until it reaches a level of 20 percent of covered compensation.

Even with increased scheduled contributions for fiscal years 2011 and 2012, total employer and employee contributions to UCRP will still be below the Plan's Normal Cost (currently 17.6 percent of covered compensation) and its annual required contribution (ARC). The UCRP ARC represents both the Plan's Normal Cost as well as an additional annual amount needed to eliminate UCRP's unfunded liability over its 30-year amortization period. Consequently, at their special meeting in December 2010 to address the President's Post-Employment Benefits (PEB) recommendations, The Regents delegated additional authority and discretion to the President to fund the UCRP ARC. Although the University may borrow from the Short Term Investment Pool (STIP) and/or restructure University debt to help fund the difference of scheduled UCRP contributions and the ARC, the employer contribution to UCRP will need to be steadily increased in future years (as described in the preceding paragraph).

While the University will continue to engage with State officials and urge the State to provide its share of the UCRP employer contribution in the future, funding for UCRP may not be included in the State budget in the near term. Consequently, campuses should be prepared to cover the State's share of this cost.

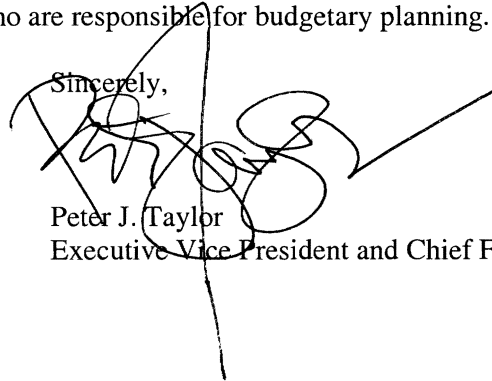
Please share this reminder with those in your organization who are responsible for budgetary planning.

Sincerely,



Nathan Brostrom  
Executive Vice President  
Business Operations

Sincerely,



Peter J. Taylor  
Executive Vice President and Chief Financial Officer

Sincerely,



Steven Beckwith  
Vice President  
Research and Graduate Studies

cc: Members, President's Cabinet  
General Counsel and Vice President Robinson  
Vice President Duckett  
Vice President Lenz  
Associate Vice President Obley  
Associate Vice President Reese  
Director Schlimgen  
Director Schwartz  
Sponsored Project Offices