UNIVERSITY OF CALIFORNIA

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University of California Community

Dear Colleagues:

I am happy to share with you that Governor Brown has signed a final State budget that includes significant increased support for the University consistent with the multi-year funding framework agreement reached earlier between UC and the State. We've come a long way since the release of the Governor's preliminary budget in January, and with this final 2015-16 budget UC enters an era of increased State funding and financial stability that we all can celebrate.

One of the important outcomes of this funding agreement is that it allows us to budget for annual pay increases for faculty and non-represented staff over the next several years. All employees deserve to be appropriately compensated and our pay practices for many of our talented faculty and non-represented staff employees have lagged the market in recent years. The additional funds we will receive under the budget agreement will also allow us to make merit-based pay a more regular component of our systemwide salary programs to help recognize the contributions of our deserving employees.

The funding agreement also allows us to reduce our unfunded pension liability, which helps to ensure the long-term fiscal solvency of the UC Retirement Plan. Additionally, undergraduate resident tuition will be held at current levels for the next two years with moderate increases pegged generally to the rate of inflation beginning in 2017-18, giving students and their families predictable tuition information so they can accurately plan for the cost of a UC education.

In exchange for increased State funding for the University's pension plan, the Governor is requiring UC to implement by July 1, 2016, a new category ("tier") of retirement benefits for future UC employees that aligns pension-eligible UC employee pay with that of State employees. I want to be sure everyone understands the following facts about this new UC pension tier:

- **Pension benefits for current faculty and staff are not affected**. This new pension tier will apply only to future employees hired after it is implemented, which is currently scheduled for July 1, 2016. There will be no changes to your pension benefits – accrued pension benefits are protected by law and cannot be reduced or revoked.

- **Details to be developed.** The specific design of the new tier hasn't been decided and will be developed over the coming months. In general, the new tier is expected to include the option of a new traditional defined benefit pension plan with a pension-eligible salary limit up to the California Public Employees' Pension Reform Act of 2013 (PEPRA) cap (currently $117,020); a defined contribution plan such as a 403(b); or a combination of the two.

- **Faculty and staff will help shape the new tier.** The design of the new tier will be informed and guided by input from members of the UC community, including Regents, faculty, staff, and other stakeholders, as well as an advisory UC task force that will include faculty and staff.

- **Unions will help determine choices for their members.** As with previous pension reforms, application of the new tier to union-represented employees will be subject to collective bargaining, and union leaders will help determine their members' choices.

We will keep everyone informed about the development and details of the new tier as we move through this process.

This is a bright day for UC, and I want to again thank the scores of faculty and staff who helped advocate for our funding needs. You have been instrumental in helping to bring about this historic agreement and I deeply appreciate your partnership.

Yours very truly,

Janet Napolitano

Janet Napolitano
President