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Faculty Retirement Task Force

UC Health Sciences

MERCER

Human Resource Consulting

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1

Cost Comparisons

Introduction

Intention: The costs of the five proposed options are shown in the following summary.

Description: Additional annual costs for these options are split into the following three categories:

1. Increased normal costs to the UCRP
2. Annual contributions for the 415(m) restoration plan.
3. Annual contributions to a Defined Contribution (DC) Plan
 - The additional restoration plan costs refer to the non-qualified Plan that provides benefits in excess of those allowed by tax-qualified plans under IRC Section 415(m).
 - In addition to the annual costs, the inclusion of more compensation to the current UCRP formula under Options 1 and 2 results in an additional UCRP liability for prior service.
 - For comparative purposes, the Domestic Partner Retirement Benefits, Increase in Age Factors, and Capital Accumulation Provision II are shown. These are all recently approved programs that enhance UCRP benefits.

Observations: Under Option 1, Health Sciences faculty members will see an improvement in UCRP benefits if and only if they receive base pay under Scale 1.5 and do receive negotiated or incentive compensation. The same applies for Option 2, but with a threshold of Scale 1.4.

Source of Data: For Options 1 through 5, the UCRP actuarial valuation data as of July 1, 2001 were used. Negotiated and incentive compensation was provided by various campuses for the fiscal year 1998/1999. For many members at the UCLA campus, 1998/1999 compensation was not available, so compensation for the fiscal year 1999/2000 was used. Because more current information regarding negotiated and incentive pay was not available, the costs for people hired recently may be understated in the following charts.

Summary

Summary of Costs

Dollar figures in millions (approximate)					
	Additional UCRP Normal Cost	Additional Restoration Plan Cost	Additional Defined Contribution Cost	Additional UCRP Past Service Liability	Number of Members Receiving Improved UCRP Benefits
Option 1: UCRP for total compensation to scale 1.5 7% Defined Contribution Plan for compensation above scale 1.5	\$4.5-\$6.0	\$0.3-\$0.4	\$8.2	\$79.7-\$99.6	2,700
Option 2: UCRP for total compensation to scale 1.4 7% Defined Contribution Plan for compensation above scale 1.4	\$2.9-\$4.1	\$0.2-\$0.3	\$9.1	\$52.7-\$67.6	2,200
Option 3: 7% UCRP Account Feature for negotiated and incentive compensation	\$8.3-\$9.1*	\$0.1	\$0.0	\$0-\$14.4*	3,200
Option 4: 7% Defined Contribution Plan for negotiated and incentive compensation	\$0 - \$0.8*	0	\$12.6	\$0 - \$14.4*	0*
Option 5: Current UCRP formula to scale 1.3, 7% Credit Balance Benefit for compensation above scale 1.3	\$9.4	\$0.45	\$0.0	\$21.0	3,200
Domestic Partner Retirement Benefits	\$7.3	Not Available	Not Applicable	\$139.5	11,400
Increase in Age Factors	\$44.0	Not Available	Not Applicable	\$756.0	130,600
Capital Accumulation Provision II	Not Applicable	Not Applicable	Not Applicable	\$195.0	109,800

Changing Reserve Fund Contribution Threshold to 1.4 or 1.5**

Reserve Fund Contribution Threshold:	Scale 1.3 (Current)	Scale 1.4	Scale 1.5
Reserve Fund Contribution:	\$6.3 million	\$4.9 million	\$3.4 million

Notes:

The IRC Section 401(a)(17) compensation limits were applied in these calculations.

The range in costs for Options 1 and 2 arises from differing assumptions regarding future increases in negotiated and incentive compensation.

The additional normal cost under Option 3 is an estimate based upon the annual credit to the members' accounts maintained by the UCRP. The specific provisions of the plan, particularly the methodology for determining the interest credits, will impact the normal cost.

* Under Options 3 and 4, Reserve Fund contributions would be eliminated for those under scale 1.5. This may create an incentive for some Academic Programmatic Units to increase the level of base pay, which would cause an additional past service liability.

** These numbers assume that members remain on their current scale.

2

External Equity – Competitive Position

Introduction

Intention: How UC retirement benefits compare to those in 20 other medical schools and leading large group practice organizations is displayed in the following charts.

Description: An example of the existing UCRP program as well as the four options being proposed are displayed.

- For each chart, there are three different profiles to represent differing current ages, service levels, and levels of base pay.
- For each of those three profiles, retirement age and the level of negotiated and incentive compensation are varied.
- The colors indicate the amount of UC retirement benefits compared to the median in the survey group for a particular profile, retirement age, and level of negotiated and incentive compensation. Blue indicates that the UC benefit is greater than the median benefit in the survey, while gold indicates that the UC benefit is lower than the median. The greater the intensity of the color, the more the UC benefit deviates from the median.
- For options 1 and 2, we have provided three separate charts. The competitiveness under these choices is significantly dependent upon the level of base pay in the Academic Programmatic Unit, so we have provided charts for three different levels of base pay.
- As a defined benefit plan, UCRP generally pays benefits in the form of a determined monthly amount from the date of a Member's retirement until his/her death. Since the majority of the institutions surveyed offer defined contribution plans, the benefits payable from UCRP were converted to a single lump sum amount for comparison.

Observations: The existing UCRP formula is very competitive for those who retire at age 55 or later, particularly for those with relatively low levels of incentive compensation (Y pay), which is not considered for retirement benefits under the current program. For short-service employees with a large amount of incentive compensation, the existing UCRP does not fair as well as the comparator organizations. The proposed alternatives all show considerable improvement in UC's competitiveness for such people.

Under options 1 and 2, the competitiveness will depend upon the level of base pay in the Academic Programmatic Unit. People in units with lower levels of base pay will have more incentive and negotiated pay covered by the UCRP formula under these options. This results in an improved competitive standing.

The IRS limits the amount of compensation that can be considered in calculating the benefits provided by a retirement plan. The limit is higher for UC employees hired prior to July 1, 1994 than it is for UC employees hired after that date as well as most employees in comparator organizations, regardless of hire date. This higher limit does improve the competitiveness for highly compensated employees hired prior to July 1, 1994.

Source of Data: In 2001, Mercer conducted a survey to compare retirement benefits provided by leading medical schools and other leading large group practice organizations.

Existing UCRP

	Retirement Age					
	40	45	50	55	60	65
Assistant Professor III - Age = 35; Service = 0; X-Pay = \$84,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	16	15	13	4	4	4
80% Y-pay/12.5% Z-pay	16	15	13	12	4	12
120% Y-pay/12.5% Z-pay	16	15	13	13	8	12
Professor I - Age = 45; Service = 0; X-Pay = \$110,000						
0% Y-pay/0% Z-pay			2	2	2	2
40% Y-pay/12.5% Z-pay			9	3	3	4
80% Y-pay/12.5% Z-pay			11	3	3	4
120% Y-pay/12.5% Z-pay			11	6	3	7
Associate Professor III - Age = 45; Service = 10; X-Pay = \$103,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			14	5	4	4
80% Y-pay/12.5% Z-pay			14	11	4	11
120% Y-pay/12.5% Z-pay			14	12	7	11

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 1 – UCRP for Total Compensation to Scale 1.5 plus 7% Defined Contribution Plan for Compensation above Scale 1.5

Option 1 - Sample A Level of Base Pay in Department at Scale 1.2 UCRP for Total Compensation to Scale 1.5 plus 7% Defined Contribution Plan for Compensation above Scale 1.5

	Retirement Age					
	40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$72,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	9	5	2	1	1	2
80% Y-pay/12.5% Z-pay	10	8	4	2	1	3
120% Y-pay/12.5% Z-pay	10	8	4	2	1	2
Profile 2 - Age = 45; Service = 0; X-Pay = \$94,000						
0% Y-pay/0% Z-pay			2	2	2	2
40% Y-pay/12.5% Z-pay			2	2	2	2
80% Y-pay/12.5% Z-pay			3	2	2	2
120% Y-pay/12.5% Z-pay			3	2	3	3
Profile 3 - Age = 45; Service = 10; X-Pay = \$88,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			4	1	1	2
80% Y-pay/12.5% Z-pay			13	3	2	3
120% Y-pay/12.5% Z-pay			13	4	3	4

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 1 - Sample B
Level of Base Pay in Department at Scale 1.4
UCRP for Total Compensation to Scale 1.5 plus
7% Defined Contribution Plan for Compensation above Scale 1.5

	Retirement Age					
	40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$84,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	10	6	3	2	1	2
80% Y-pay/12.5% Z-pay	10	10	6	2	1	3
120% Y-pay/12.5% Z-pay	12	12	10	2	3	4
Profile 2 - Age = 45; Service = 0; X-Pay = \$110,000						
0% Y-pay/0% Z-pay			2	2	2	2
40% Y-pay/12.5% Z-pay			3	2	2	3
80% Y-pay/12.5% Z-pay			4	2	3	3
120% Y-pay/12.5% Z-pay			7	2	3	3
Profile 3 - Age = 45; Service = 10; X-Pay = \$103,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			8	3	1	3
80% Y-pay/12.5% Z-pay			13	5	3	4
120% Y-pay/12.5% Z-pay			12	4	3	5

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 1 - Sample C
Level of Base Pay in Department at Scale 1.5
UCRP for Total Compensation to Scale 1.5 plus
7% Defined Contribution Plan for Compensation above Scale 1.5

	Retirement Age					
	40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$90,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	10	8	3	2	1	3
80% Y-pay/12.5% Z-pay	10	11	7	3	3	4
120% Y-pay/12.5% Z-pay	12	12	10	3	3	6
Profile 2 - Age = 45; Service = 0; X-Pay = \$118,000						
0% Y-pay/0% Z-pay			2	2	1	1
40% Y-pay/12.5% Z-pay			3	2	2	3
80% Y-pay/12.5% Z-pay			4	2	3	3
120% Y-pay/12.5% Z-pay			7	2	3	3
Profile 3 - Age = 45; Service = 10; X-Pay = \$110,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			11	4	1	3
80% Y-pay/12.5% Z-pay			12	5	2	4
120% Y-pay/12.5% Z-pay			12	5	2	5

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 2 – UCRP for Total Compensation to Scale 1.4 plus 7% Defined Contribution Plan for Compensation above Scale 1.4

Option 2 - Sample A Level of Base Pay in Department at Scale 1.2 UCRP for Total Compensation to Scale 1.4 plus 7% Defined Contribution Plan for Compensation above Scale 1.4

	Retirement Age					
	40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$72,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	9	5	3	1	1	2
80% Y-pay/12.5% Z-pay	10	8	5	2	1	3
120% Y-pay/12.5% Z-pay	10	8	4	2	1	4
Profile 2 - Age = 45; Service = 0; X-Pay = \$94,000						
0% Y-pay/0% Z-pay			2	2	2	2
40% Y-pay/12.5% Z-pay			3	2	2	2
80% Y-pay/12.5% Z-pay			3	2	2	3
120% Y-pay/12.5% Z-pay			4	2	3	3
Profile 3 - Age = 45; Service = 10; X-Pay = \$88,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			5	2	1	3
80% Y-pay/12.5% Z-pay			13	4	3	4
120% Y-pay/12.5% Z-pay			13	5	3	4

Color Indicates Relationship with Median as Follows

UC benefit under 75% of median
UC benefit 75%-85% of median
UC benefit 85%-95% of median
UC benefit 95%-105% of median
UC benefit 105%-115% of median
UC benefit 115%-125% of median
UC benefit 125%-150% of median
UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 2 - Sample B
Level of Base Pay in Department at Scale 1.4
UCRP for Total Compensation to Scale 1.4 plus
7% Defined Contribution Plan for Compensation above Scale 1.4

	Retirement Age					
	40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$84,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	10	8	3	2	1	3
80% Y-pay/12.5% Z-pay	10	10	7	2	2	4
120% Y-pay/12.5% Z-pay	11	11	9	3	2	4
Profile 2 - Age = 45; Service = 0; X-Pay = \$110,000						
0% Y-pay/0% Z-pay			2	2	2	2
40% Y-pay/12.5% Z-pay			3	2	2	3
80% Y-pay/12.5% Z-pay			4	2	3	3
120% Y-pay/12.5% Z-pay			7	2	3	3
Profile 3 - Age = 45; Service = 10; X-Pay = \$103,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			11	4	3	4
80% Y-pay/12.5% Z-pay			13	5	3	4
120% Y-pay/12.5% Z-pay			13	6	3	5

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 2 - Sample C
Level of Base Pay in Department at Scale 1.5
UCRP for Total Compensation to Scale 1.4 plus
7% Defined Contribution Plan for Compensation above Scale 1.4

	Retirement Age					
	40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$90,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	10	8	3	2	1	3
80% Y-pay/12.5% Z-pay	10	11	7	3	3	4
120% Y-pay/12.5% Z-pay	12	12	10	3	3	6
Profile 2 - Age = 45; Service = 0; X-Pay = \$118,000						
0% Y-pay/0% Z-pay			2	2	1	1
40% Y-pay/12.5% Z-pay			3	2	2	3
80% Y-pay/12.5% Z-pay			4	2	3	3
120% Y-pay/12.5% Z-pay			7	2	3	3
Profile 3 - Age = 45; Service = 10; X-Pay = \$110,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			11	4	1	3
80% Y-pay/12.5% Z-pay			12	5	2	4
120% Y-pay/12.5% Z-pay			12	5	2	5

Color Indicates Relationship with Median as Follows

UC benefit under 75% of median
UC benefit 75%-85% of median
UC benefit 85%-95% of median
UC benefit 95%-105% of median
UC benefit 105%-115% of median
UC benefit 115%-125% of median
UC benefit 125%-150% of median
UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 3 – Existing UCRP and 7% UCRP Account Feature for Negotiated and Incentive Compensation

Option 3 Existing UCRP plus 7% UCRP Account Feature for Negotiated and Incentive Compensation

		Retirement Age					
		40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$84,000							
0% Y-pay/0% Z-pay	12		6	2	2	1	2
40% Y-pay/12.5% Z-pay	10		8	4	3	1	3
80% Y-pay/12.5% Z-pay	10		10	7	2	3	4
120% Y-pay/12.5% Z-pay	12		12	10	3	3	6
Profile 2 - Age = 45; Service = 0; X-Pay = \$110,000							
0% Y-pay/0% Z-pay				2	2	2	2
40% Y-pay/12.5% Z-pay				3	2	2	3
80% Y-pay/12.5% Z-pay				5	2	3	3
120% Y-pay/12.5% Z-pay				8	2	3	3
Profile 3 - Age = 45; Service = 10; X-Pay = \$103,000							
0% Y-pay/0% Z-pay				3	2	1	1
40% Y-pay/12.5% Z-pay				11	4	3	4
80% Y-pay/12.5% Z-pay				13	5	3	4
120% Y-pay/12.5% Z-pay				13	7	3	6

Color Indicates Relationship with Median as Follows

UC benefit under 75% of median
UC benefit 75%-85% of median
UC benefit 85%-95% of median
UC benefit 95%-105% of median
UC benefit 105%-115% of median
UC benefit 115%-125% of median
UC benefit 125%-150% of median
UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 4 – Existing UCRP and 7% Defined Contribution Plan for Negotiated and Incentive compensation

Option 4 Existing UCRP plus 7% Defined Contribution Plan for Negotiated and Incentive Compensation

	Retirement Age					
	40	45	50	55	60	65
Assistant Professor III - Age = 35; Service = 0; X-Pay = \$84,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	10	8	3	2	1	3
80% Y-pay/12.5% Z-pay	10	10	6	2	1	3
120% Y-pay/12.5% Z-pay	10	8	5	2	1	4
Professor I - Age = 45; Service = 0; X-Pay = \$110,000						
0% Y-pay/0% Z-pay			2	2	2	2
40% Y-pay/12.5% Z-pay			3	2	2	3
80% Y-pay/12.5% Z-pay			2	2	2	3
120% Y-pay/12.5% Z-pay			2	2	3	3
Associate Professor III - Age = 45; Service = 10; X-Pay = \$103,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			11	4	3	4
80% Y-pay/12.5% Z-pay			13	5	3	4
120% Y-pay/12.5% Z-pay			13	6	3	5

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 5 – UCRP for Total Compensation to Scale 1.3 plus 7% Credit Balance Benefit for Compensation Above Scale 1.3

Option 5 - Sample A
Level of Base Pay in Department at Scale 1.2
Current UCRP formula for Total Compensation to Scale 1.3 plus
7% Credit Balance Benefit for Compensation above Scale 1.3

	Retirement Age					
	40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$72,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	10	7	3	2	1	2
80% Y-pay/12.5% Z-pay	10	10	6	2	1	3
120% Y-pay/12.5% Z-pay	10	8	5	2	2	4
Profile 2 - Age = 45; Service = 0; X-Pay = \$94,000						
0% Y-pay/0% Z-pay			2	2	2	2
40% Y-pay/12.5% Z-pay			3	2	2	2
80% Y-pay/12.5% Z-pay			4	3	2	4
120% Y-pay/12.5% Z-pay			5	3	3	4
Profile 3 - Age = 45; Service = 10; X-Pay = \$88,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			8	3	1	3
80% Y-pay/12.5% Z-pay			13	6	4	6
120% Y-pay/12.5% Z-pay			13	7	4	6

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 5 - Sample B
Continuing Employee - Level of Base Pay at Scale 1.4
New Hire - Base Pay at Scale 1.3
Current UCRP formula for Total Compensation to Scale 1.3 plus
7% Credit Balance Benefit for Compensation above Scale 1.3

		Retirement Age					
		40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$78,000							
0% Y-pay/0% Z-pay	12	6	2	2	1	2	
40% Y-pay/12.5% Z-pay	10	8	4	3	1	3	
80% Y-pay/12.5% Z-pay	10	10	7	2	2	4	
120% Y-pay/12.5% Z-pay	10	9	8	3	2	4	
Profile 2 - Age = 45; Service = 0; X-Pay = \$102,000							
0% Y-pay/0% Z-pay				2	2	2	2
40% Y-pay/12.5% Z-pay				3	2	2	3
80% Y-pay/12.5% Z-pay				4	3	3	4
120% Y-pay/12.5% Z-pay				8	3	3	4
Profile 3 - Age = 45; Service = 10; X-Pay = \$103,000							
0% Y-pay/0% Z-pay				3	2	1	1
40% Y-pay/12.5% Z-pay				11	4	3	4
80% Y-pay/12.5% Z-pay				13	5	3	4
120% Y-pay/12.5% Z-pay				13	7	3	6

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

Option 5 - Sample C
Continuing Employee - Level of Base Pay at Scale 1.5
New Hire - Base Pay at Scale 1.3
Current UCRP formula for Total Compensation to Scale 1.3 plus
7% Credit Balance Benefit for Compensation above Scale 1.3

	Retirement Age					
	40	45	50	55	60	65
Profile 1 - Age = 35; Service = 0; X-Pay = \$78,000						
0% Y-pay/0% Z-pay	12	6	2	2	1	2
40% Y-pay/12.5% Z-pay	10	8	4	3	1	3
80% Y-pay/12.5% Z-pay	10	10	7	2	2	4
120% Y-pay/12.5% Z-pay	10	9	8	3	2	4
Profile 2 - Age = 45; Service = 0; X-Pay = \$102,000						
0% Y-pay/0% Z-pay			2	2	2	2
40% Y-pay/12.5% Z-pay			3	2	2	3
80% Y-pay/12.5% Z-pay			4	3	3	4
120% Y-pay/12.5% Z-pay			8	3	3	4
Profile 3 - Age = 45; Service = 10; X-Pay = \$110,000						
0% Y-pay/0% Z-pay			3	2	1	1
40% Y-pay/12.5% Z-pay			11	4	1	3
80% Y-pay/12.5% Z-pay			12	5	3	4
120% Y-pay/12.5% Z-pay			12	6	2	6

Color Indicates Relationship with Median as Follows

- UC benefit under 75% of median
- UC benefit 75%-85% of median
- UC benefit 85%-95% of median
- UC benefit 95%-105% of median
- UC benefit 105%-115% of median
- UC benefit 115%-125% of median
- UC benefit 125%-150% of median
- UC benefit over 150% of median

Note: The numbers shown above represent the ranking of UC compared with 20 other survey participants (i.e., 1 being the highest, 21 being the lowest).

3

Internal Equity – Effect on Benefits

Option 1

Intention: Display how the design of Option 1 influences the retirement benefits of different categories of Health Sciences faculty

Description: The effects of Option 1 for various faculty members are displayed on the following three pages.

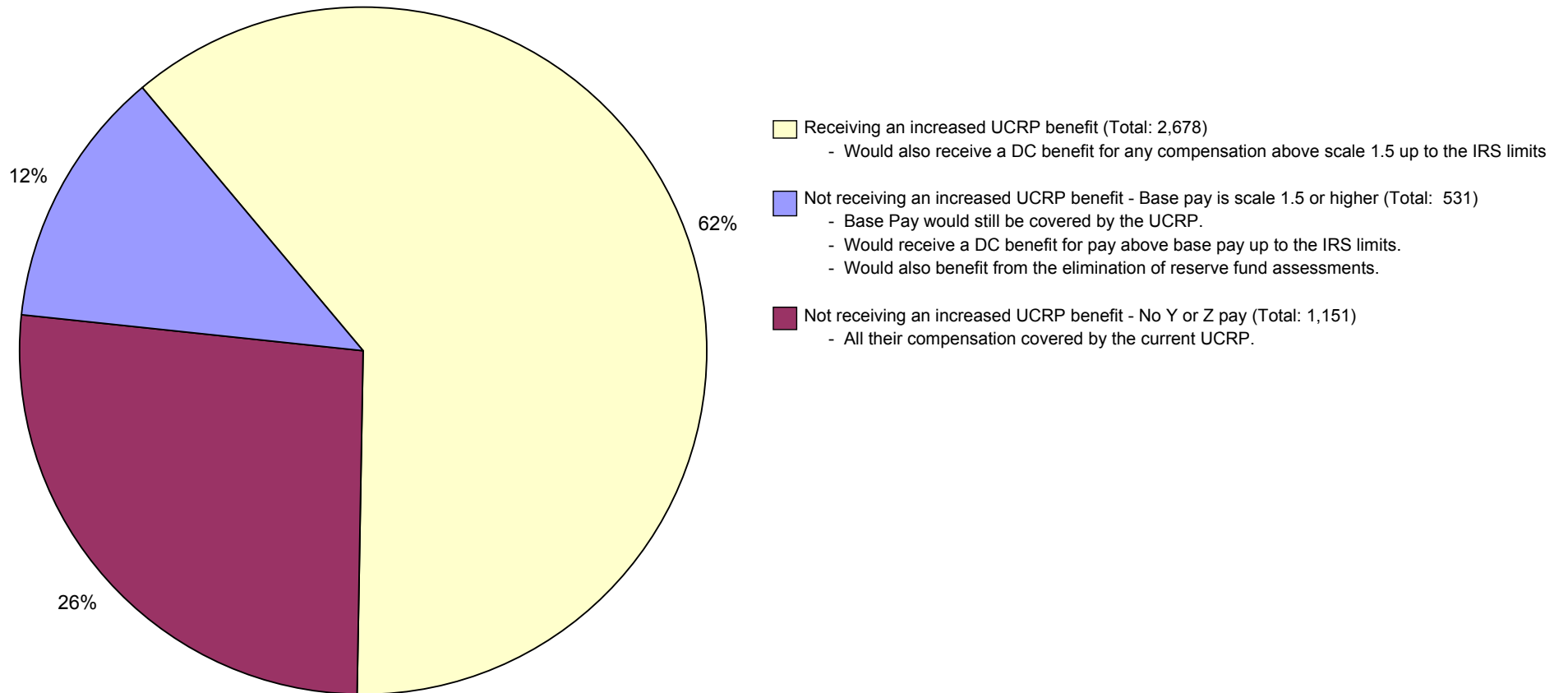
- An aggregate view of how many would receive increased UCRP and/or DC plan benefits compared to the current UCRP is displayed on the first page.
- Because the effects of this option are dependent upon the salary scale in the Academic Programmatic Unit, the second page was provided. The bars indicate the number of Health Sciences Faculty members with base pay on a particular salary scale.
- The information on the second page is summarized in tabular form on page three. The average increase in UCRP benefits for faculty members on each salary scale is displayed.

Observations: None of the proposed options would increase retirement benefits for all faculty members. Since the enhanced benefits are based on negotiated and incentive compensation (Y and Z pay) under every option, health sciences faculty who do not earn compensation above base compensation will not receive increased benefits. For those in Academic Programmatic Units with base pay 1.5 or higher, there will be no increase in UCRP benefit under Option 1. Those people would receive a Defined Contribution benefit for pay above base pay up to IRS limits.

Source of Data: Base pay and salary scale are based upon the UCRP actuarial valuation data as of July 1, 2001. Negotiated and incentive compensation provided by various campuses for the fiscal year 1998/1999. For many members at the UCLA campus, 1998/1999 negotiated and incentive compensation was not available, so compensation for the fiscal year 1999/2000 was used. Because more current information regarding negotiated and incentive pay was not available, the number of people without negotiated and incentive pay may be overstated in the following charts due to people hired recently.

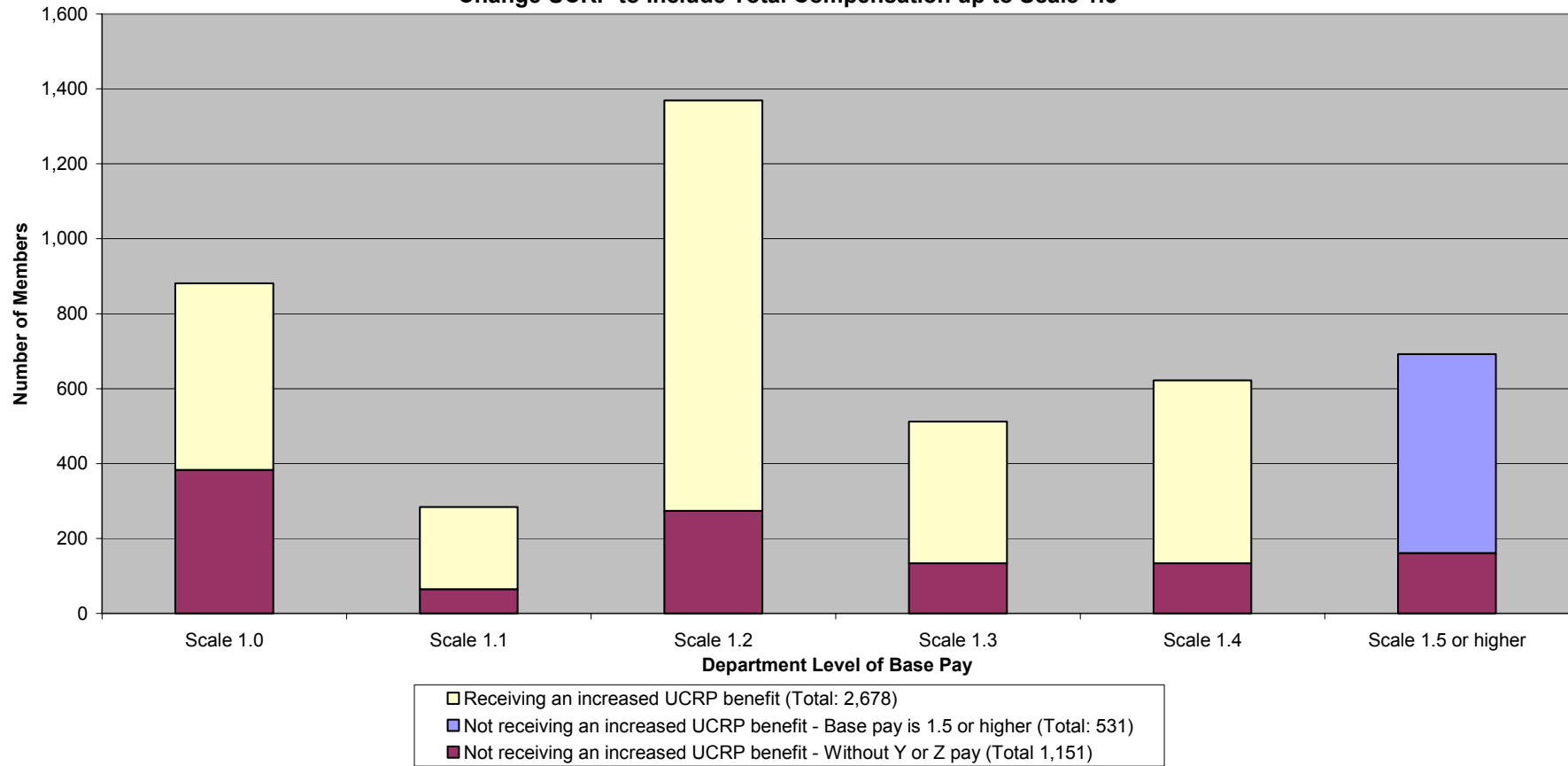
Option 1

Change UCRP to Include Total Compensation up to Scale 1.5



Option 1

Change UCRP to Include Total Compensation up to Scale 1.5



Change UCRP to Include Total Compensation up to Scale 1.5 as Part of UCRP covered Compensation

Option 1

	Level of Base Pay						Totals
	Scale 1.0	Scale 1.1	Scale 1.2	Scale 1.3	Scale 1.4	Scale 1.5 or higher	
Not Receiving an Increased UCRP Benefit							
No Supplemental and Negotiated Pay	383	65	274	134	134	161	1,151
Base Pay over Scale 1.5	0	0	0	0	0	531	531
Receiving an increased UCRP Benefit	498	219	1,095	378	488	0	2,678
Totals	881	284	1,369	512	622	692	4,360
Average increase for those receiving an increased benefit	24.4%	21.8%	22.3%	14.1%	6.9%	N/A	18.1%

Option 2

Intention: Display how the design of Option 2 influences the retirement benefits of different categories of Health Sciences faculty.

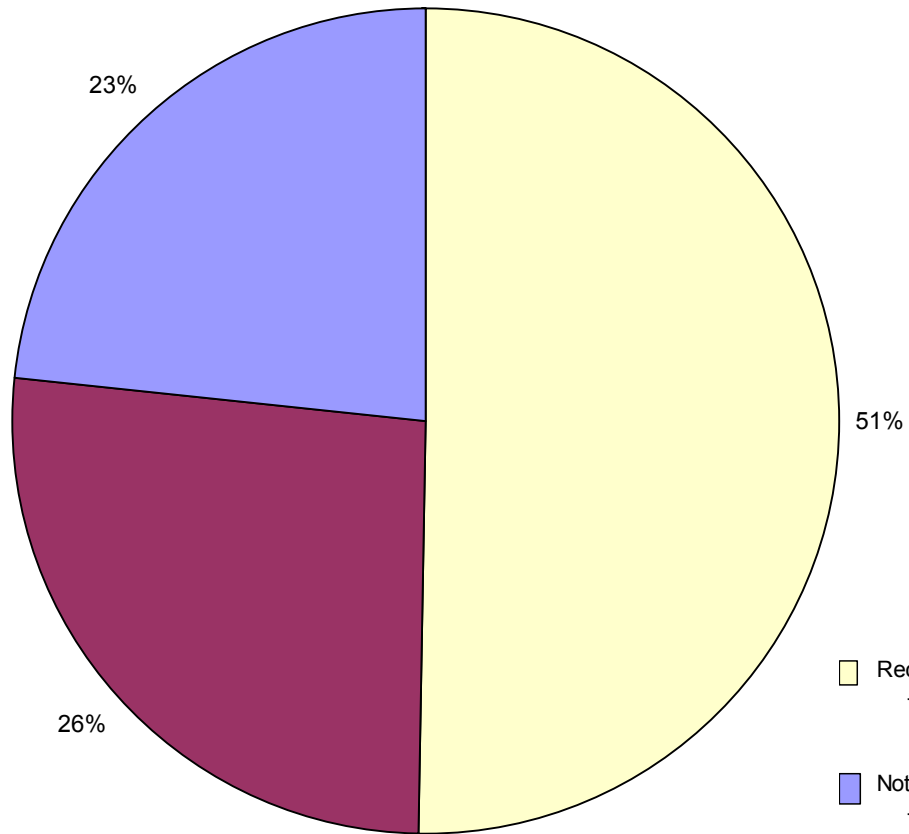
Description: The effects of Option 2 for various faculty members are displayed on the following three pages.

- An aggregate view of how many would receive increased UCRP and/or DC plan benefits compared to the current UCRP is displayed on the first page.
- Because the effects of this option are dependent upon the salary scale in the Academic Programmatic Unit, the second page was provided. The bars indicate the number of Health Sciences Faculty members with base pay on a particular salary scale.
- The information on the second page is summarized in tabular form on page three. The average increase in UCRP benefits for faculty members on each salary scale is displayed.

Observations: None of the proposed options would increase retirement benefits for all faculty members. Since the enhanced benefits are based on negotiated and incentive compensation (Y and Z pay) under every option, health sciences faculty who do not earn compensation above base compensation will not receive increased benefits. For those in Academic Programmatic Units with base pay 1.4 or higher, there will be no increase in UCRP benefit under Option 2. Those people would receive a Defined Contribution benefit for pay above base pay up to IRS limits.

Source of Data: Base pay and salary scale are based upon the UCRP actuarial valuation data as of July 1, 2001. Negotiated and incentive compensation provided by various campuses for the fiscal year 1998/1999. For many members at the UCLA campus, 1998/1999 negotiated and incentive compensation was not available, so compensation for the fiscal year 1999/2000 was used. Because more current information regarding negotiated and incentive pay was not available, the number of people without negotiated and incentive pay may be overstated in the following charts due to people hired recently.

Change UCRP to Include Total Compensation up to Scale 1.4



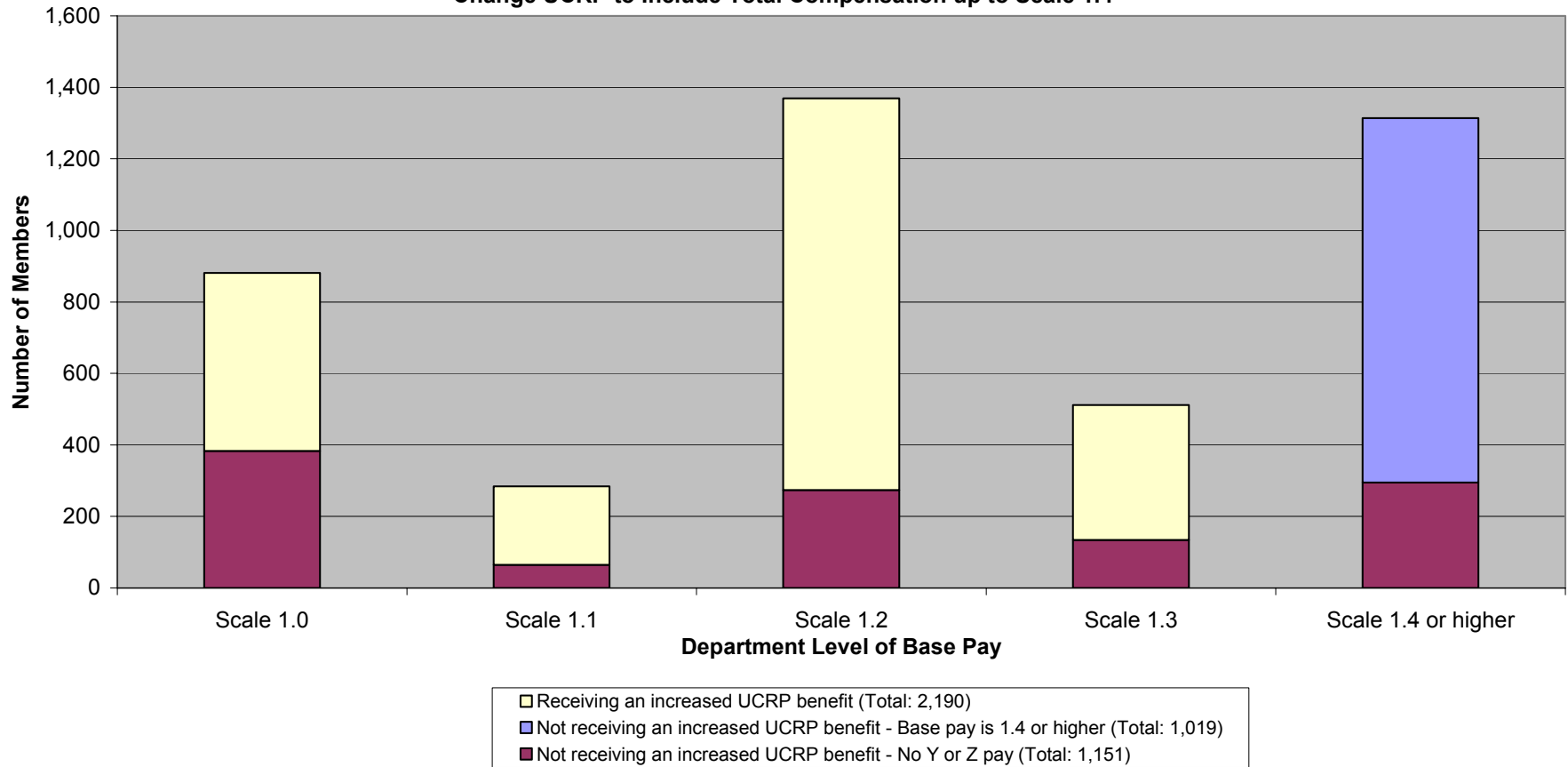
- Receiving an increased UCRP benefit (Total: 2,190)
 - Would also receive a DC benefit for any compensation above scale 1.4 up to the IRS limits.

- Not receiving an increased UCRP benefit - Base pay is scale 1.4 or higher (Total: 1,019)
 - Base Pay would still be covered by the UCRP.
 - Would receive a DC benefit for pay above base pay up to the IRS limits.
 - Would also benefit from the elimination of reserve fund assessments.

- Not receiving an increased UCRP benefit - No Y or Z pay (Total: 1,151)
 - All their compensation covered by the current UCRP.

Option 2

Change UCRP to Include Total Compensation up to Scale 1.4



Change UCRP to Include Total Compensation as Part of UCRP Covered Compensation

Option 2

	Level of Base Pay					<u>Totals</u>
	<u>Scale 1.0</u>	<u>Scale 1.1</u>	<u>Scale 1.2</u>	<u>Scale 1.3</u>	<u>Scale 1.4 or higher</u>	
Not Receiving an Increased UCRP Benefit						
No Supplemental and Negotiated Pay	383	65	274	134	295	1,151
Base Pay over Scale 1.4	0	0	0	0	1,019	1,019
Receiving an Increased UCRP Benefit	498	219	1,095	378	0	2,190
Totals	881	284	1,369	512	1,314	4,360
Average increase for those receiving an increased benefit	22.9%	18.9%	15.6%	7.3%	N/A	15.8%

Option 3

Intention: Display the size of the annual credit to the new account maintained by the UCRP under Option 3.

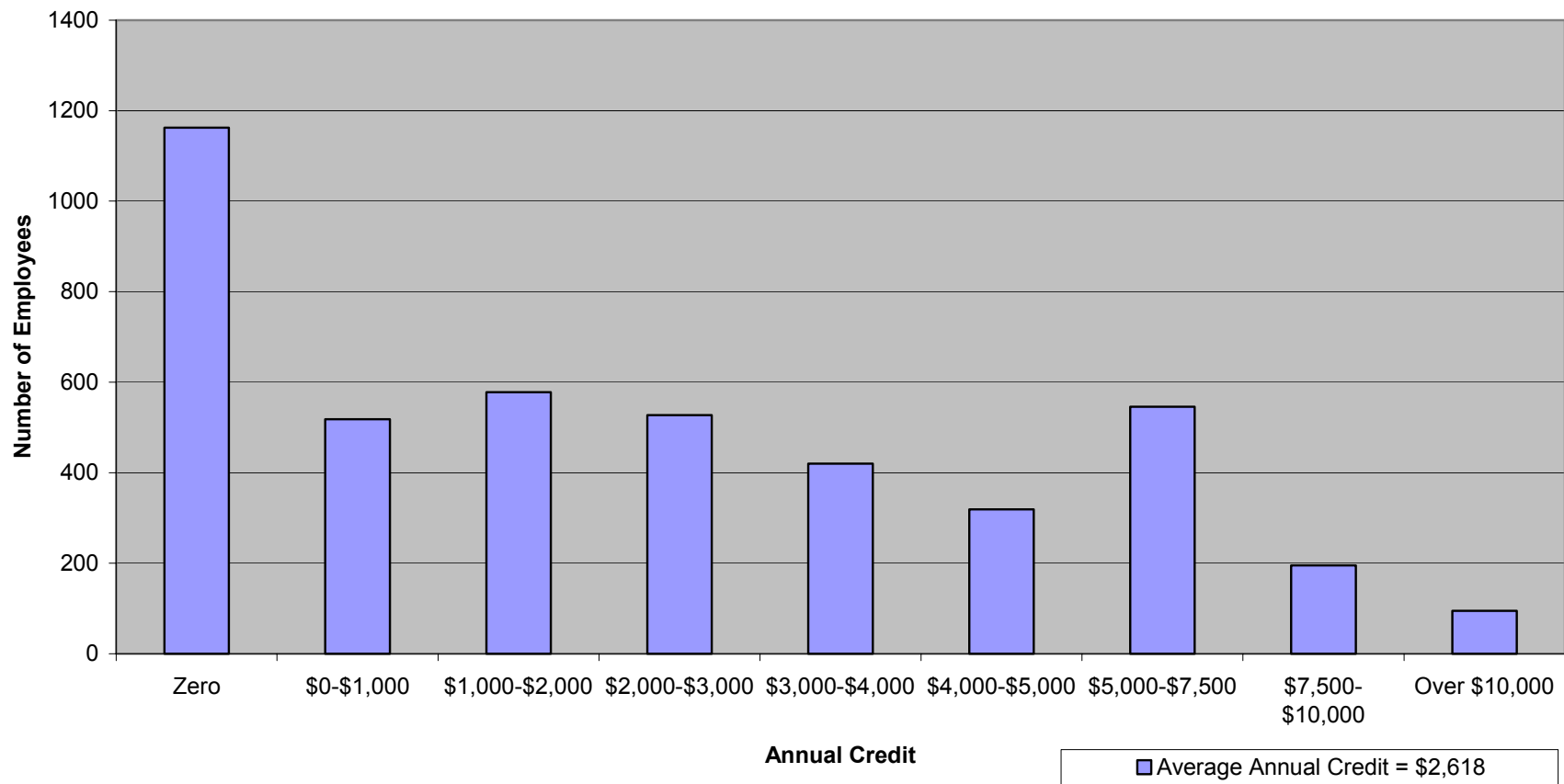
Description: The number of Health Sciences faculty members receiving various levels of annual credit under Option 3 is displayed in the following bar chart.

Observations:

- The amount of annual compensation that can be used in calculating retirement benefits is restricted by the IRS tax limits.
- For faculty members not restricted by the tax limits, the amount of annual credit is equal to 7% of negotiated and incentive compensation.
- Those who do not receive negotiated or incentive compensation do not receive any annual credit. For these people, all compensation is covered by the current UCRP.

Source of Data: Negotiated and incentive compensation provided by various campuses for the fiscal year 1998/1999. For many members at the UCLA campus, 1998/1999 negotiated and compensation was not available, so compensation for the fiscal year 1999/2000 was used.

Option 3
Distribution of Annual Credit for
7% Account Feature for Negotiated and Incentive Compensation



Option 4

Intention: Display the size of the annual DC plan contribution under Option 4.

Description: The number of Health Sciences faculty members receiving various levels of annual DC plan contributions under Option 4 is displayed in the following bar chart.

Observations:

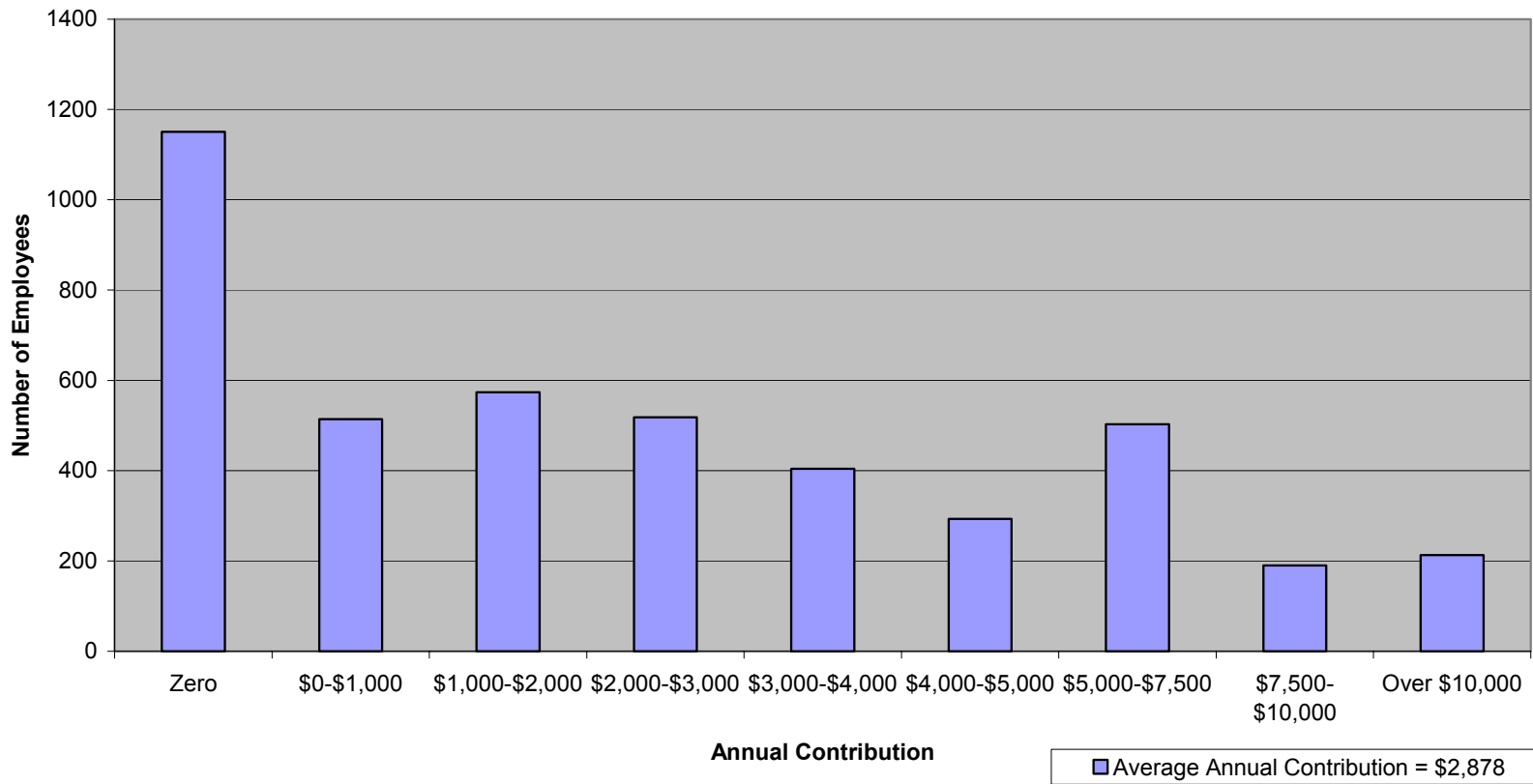
- The amount of annual compensation that can be used in calculating retirement benefits is restricted by IRS tax limits. The compensation limit is applied differently under Option 4 than it is under Option 3.
- For faculty members not restricted by the IRS tax limits, the amount of the annual DC plan contribution is equal to 7% of negotiated and incentive compensation.
- Those who do not receive negotiated or incentive compensation do not receive any annual credit. For these people, all compensation is covered by the current UCRP.

Source of Data: Negotiated and incentive compensation provided by various campuses for the fiscal year 1998/1999. For many members at the UCLA campus, 1998/1999 negotiated and incentive compensation was not available, so compensation for the fiscal year 1999/2000 was used.

Option 4

Distribution of Annual Contribution for

7% Defined Contribution Plan for Negotiated and Incentive Compensation



Option 5

Intention: Display how the design of Option 5 influences the retirement benefits of different categories of Health Sciences faculty.

Description: The following three pages display the effects of Option 5 for various faculty members.

- The first page provides an aggregate view of how many would receive increased benefits calculated under the current UCRP formula and/or credit balance plan benefits.
- Because the effects of this option are dependent upon the salary scale in the Academic Programmatic Unit, we provided the second page with bars to indicate the number of Health Sciences Faculty members with base pay on a particular salary scale.
- The third page summarizes the information on the second page in tabular form. It also displays the average increase in UCRP benefits for faculty members on each salary scale.

Observations:

None of the proposed options would increase retirement benefits for all faculty members. Since the enhanced benefits are based on negotiated and incentive compensation (Y and Z pay) under every option, health sciences faculty who do not earn compensation above base compensation will not receive increased benefits. For those in Academic Programmatic Units with base pay 1.3 or higher, there will be no increase in compensation covered by the current UCRP formula under Option 5. Those people would receive a credit balance benefit for pay above base pay up to IRS limits.

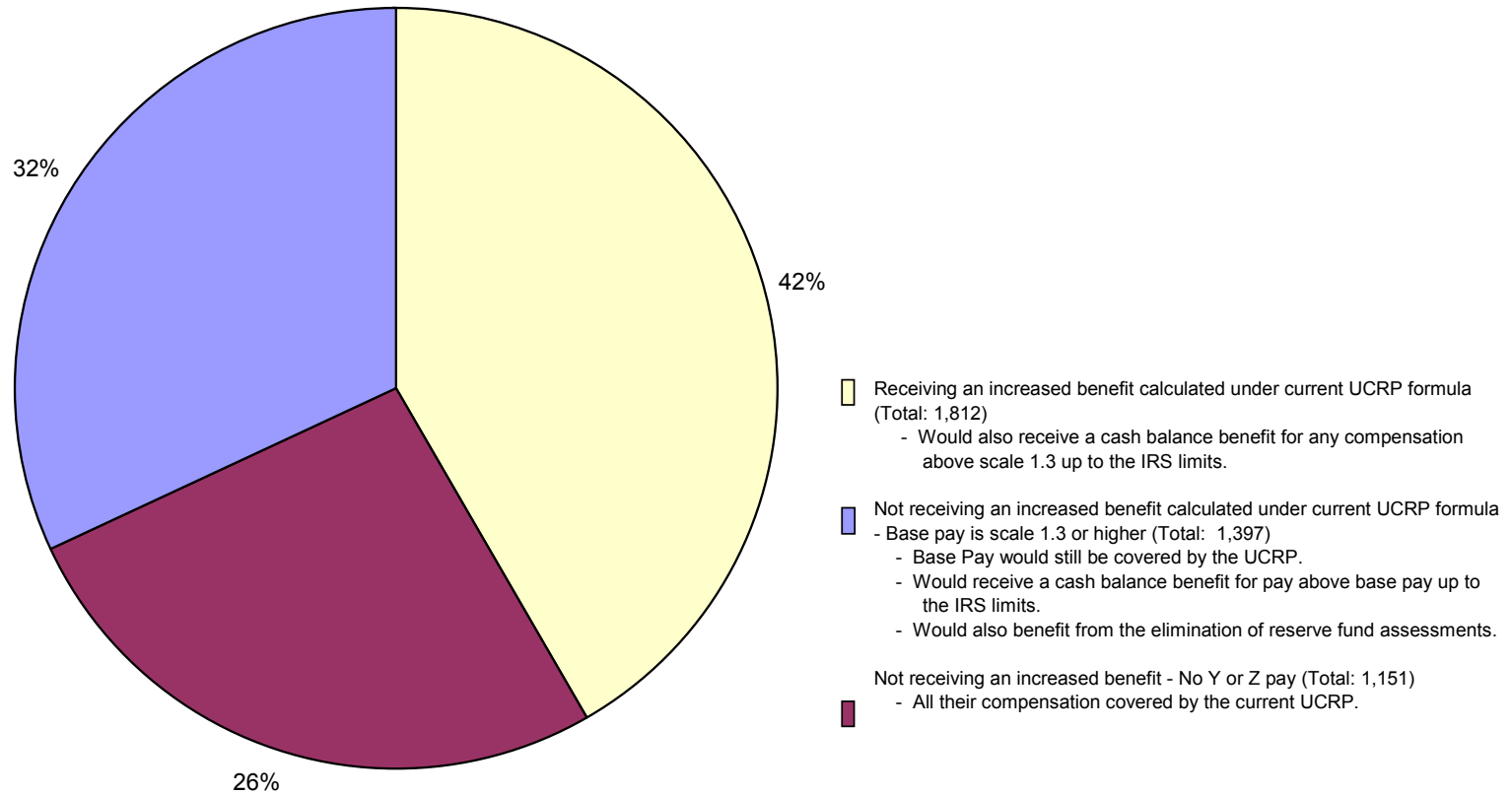
For new hires, the current UCRP formula would only cover base pay to Scale 1.3. Any additional compensation up to IRS limits would be used for the credit balance benefit.

Source of Data: Base pay and salary scale are based upon Towers Perrin's actuarial valuation data as of July 1, 2001. Negotiated and incentive compensation provided by various campuses for the fiscal year 1998/1999. For many members at the UCLA campus, 1998/1999 negotiated and incentive compensation was not available, so compensation for the fiscal year 1999/2000 was used.

Option 5

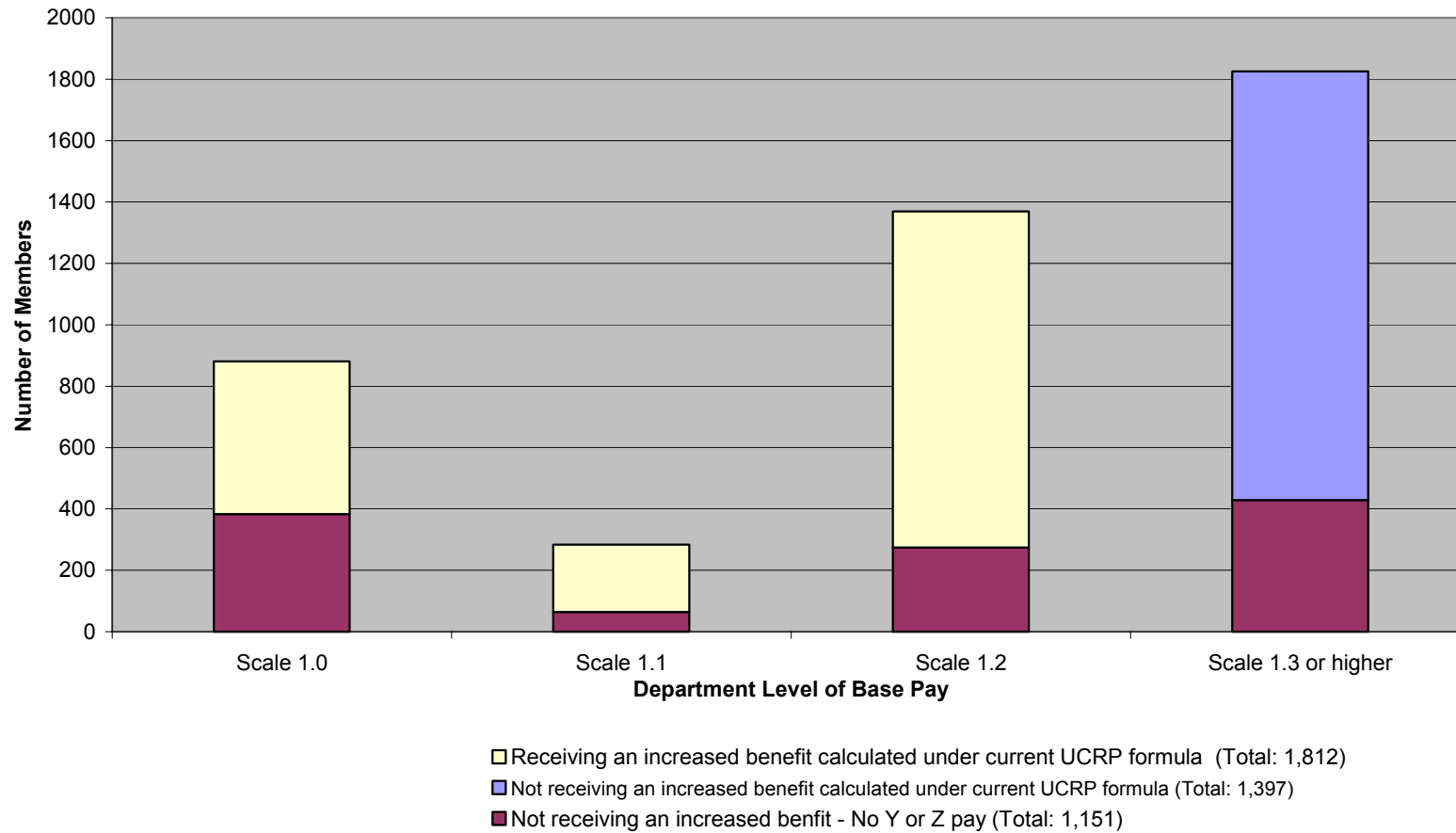
Apply Current UCRP Formula to Total Compensation up to Scale 1.3

Impact for Current Employees



Option 5

Change UCRP to Include Total Compensation up to Scale 1.3



Option 5

	Level of Base Pay				Totals
	<u>Scale 1.0</u>	<u>Scale 1.1</u>	<u>Scale 1.2</u>	<u>Scale 1.3 or higher</u>	
Not Receiving an Increased UCRP Benefit					
No Supplemental and Negotiated Pay	383	65	274	429	1,151
Base Pay over Scale 1.3	0	0	0	1397	1,397
Receiving an Increased UCRP Benefit	498	219	1,095	0	1,812
Totals	881	284	1,369	1,826	4,360
Average increase for those receiving an increased benefit	20.3%	14.8%	8.0%	N/A	7.6%



IRS Limits

Introduction

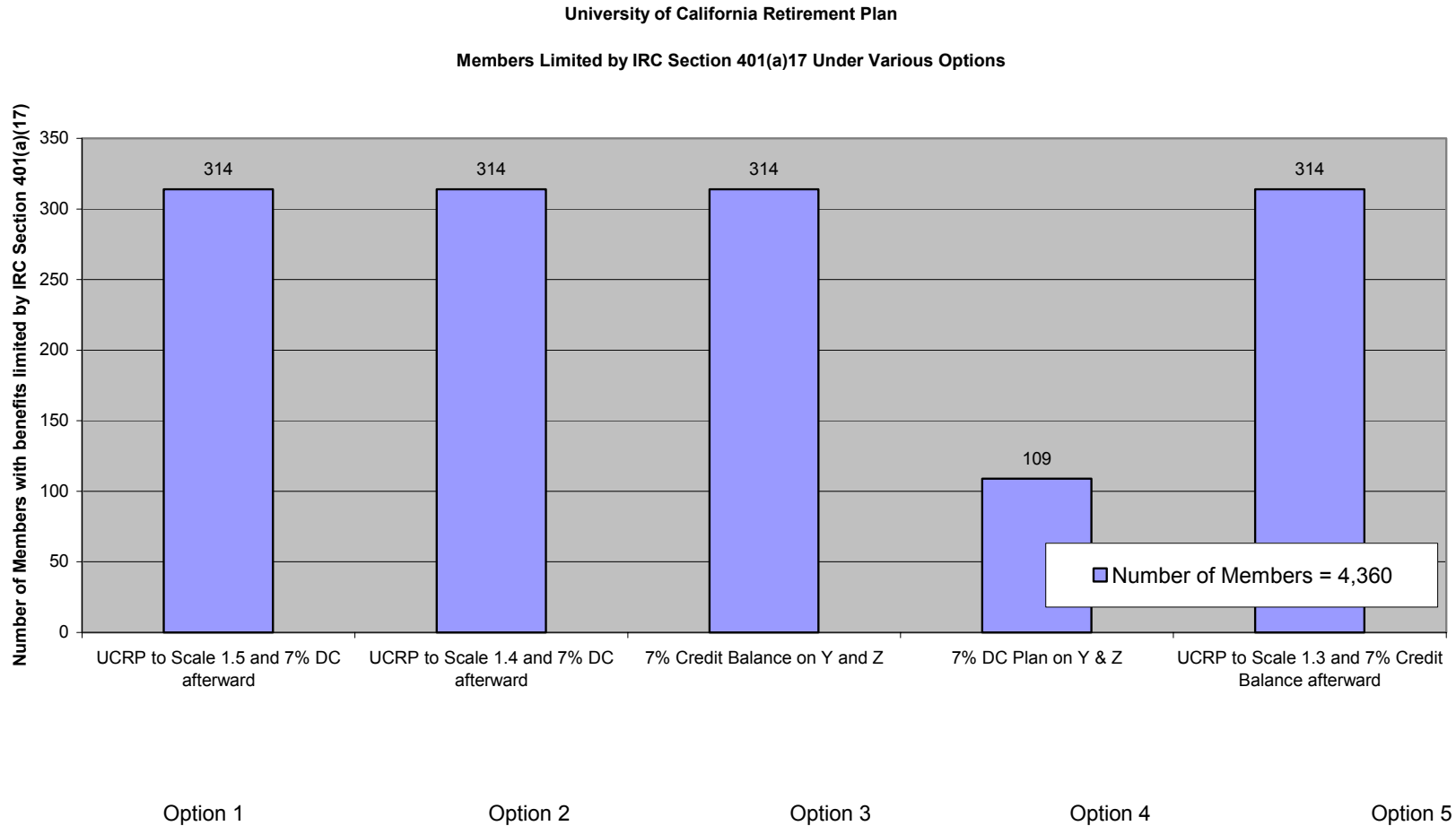
Intention: Display the impact of the IRS compensation limits under various Options.

Description: The following bar chart shows the number of Health Science Faculty members with compensation in excess of what can be used in calculation retirement benefits under IRC Section 401(a)(17).

- For Option 4, separate compensation limits are applied for the UCRP and the DC plan. Under the other four options, there is only one aggregated tax limit.
- Those who were employees prior to July 1994 are entitled to larger, grandfathered limits for benefits provided by the UCRP.

Source of Data: Negotiated and incentive compensation provided by various campuses for the fiscal year 1998/1999. For many members at the UCLA campus, 1998/1999 compensation was not available, so compensation for the fiscal year 1999/2000 was used.

Number of Members with Benefits Limited by IRC Section 401(a)(17)



Note that for Option 4, independent compensation limits are applied for the UCRP and the DC plan. Those who were active members prior to July 1994 are entitled to grandfathered limits for benefits provided by the UCRP.

5

403(b) Contributions by Age

Intention: Show how many Health Sciences faculty members contribute to the 403(b) Plan and the extent to which they contribute.

Description: The 403(b) Plan is a UC-sponsored, tax-deferred retirement plan in which participants are allowed to contribute up to the annual deferral limit set by the IRS. For 2001, the annual deferral limit was \$10,500 and the deferral limit for 2002 is \$11,000.

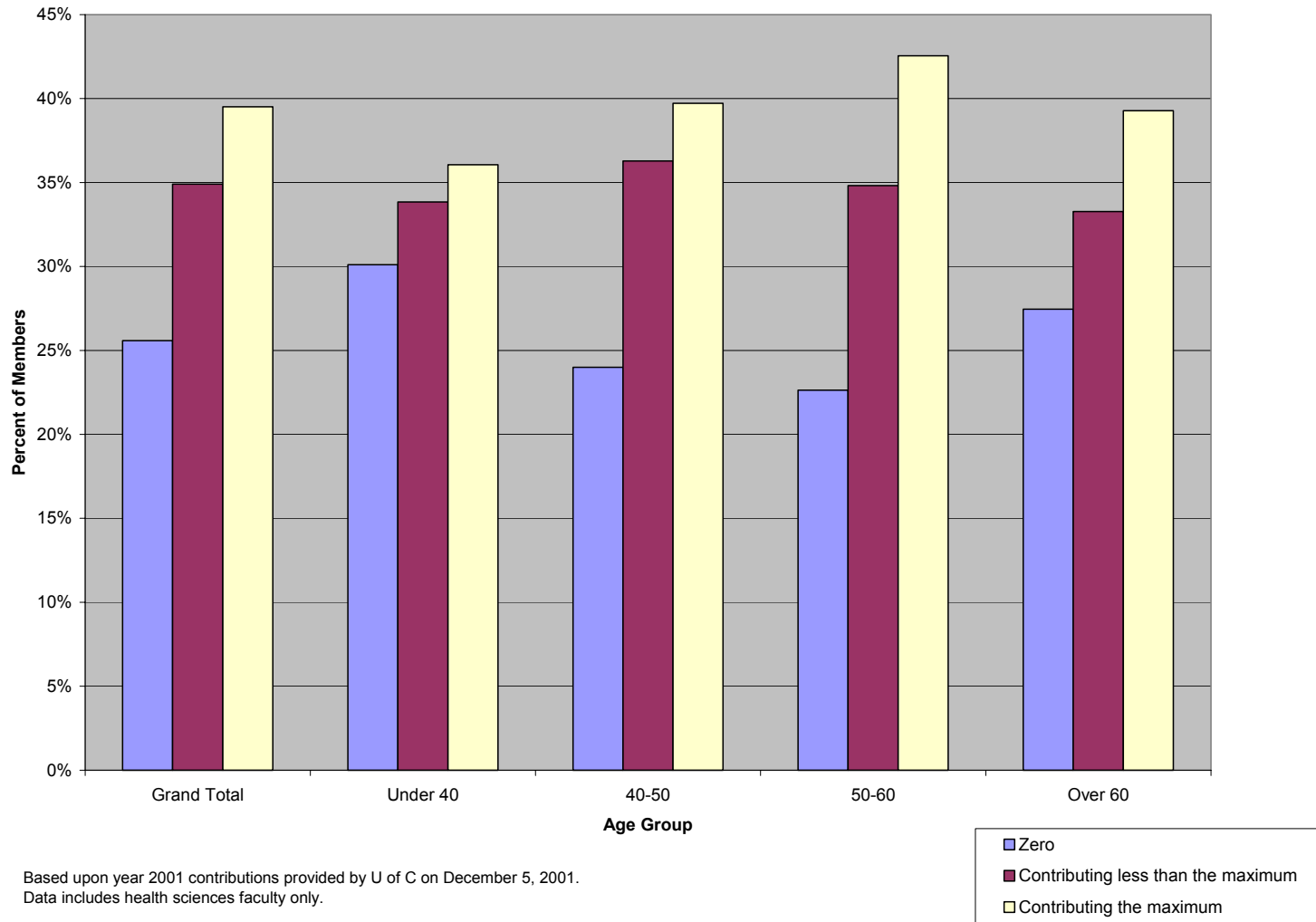
The following chart shows the percentage of Health Science Faculty members who do not contribute to the 403(b) plan, those who contribute the maximum allowable, and those who do contribute, but not to the full extent allowable.

Observations: Participation in the 403(b) plan is high across all age groups and does not vary significantly by age. Even among the younger faculty, the majority of the members participate in the 403(b) plan.

- The contribution patterns do not vary significantly by age.

Source of Data: Contribution data for 2001 as provided by UC.

403(b) Contributions by Age Group



6

Demographic Data Appendix

Intention: The following are several exhibits to display demographic data for Health Sciences Compensation Plan members.

Description: X compensation (base pay) is the compensation currently used to calculate benefits for the University of California Retirement Plan. Y compensation is supplemental negotiated compensation, and Z compensation is incentive compensation.

Observations:

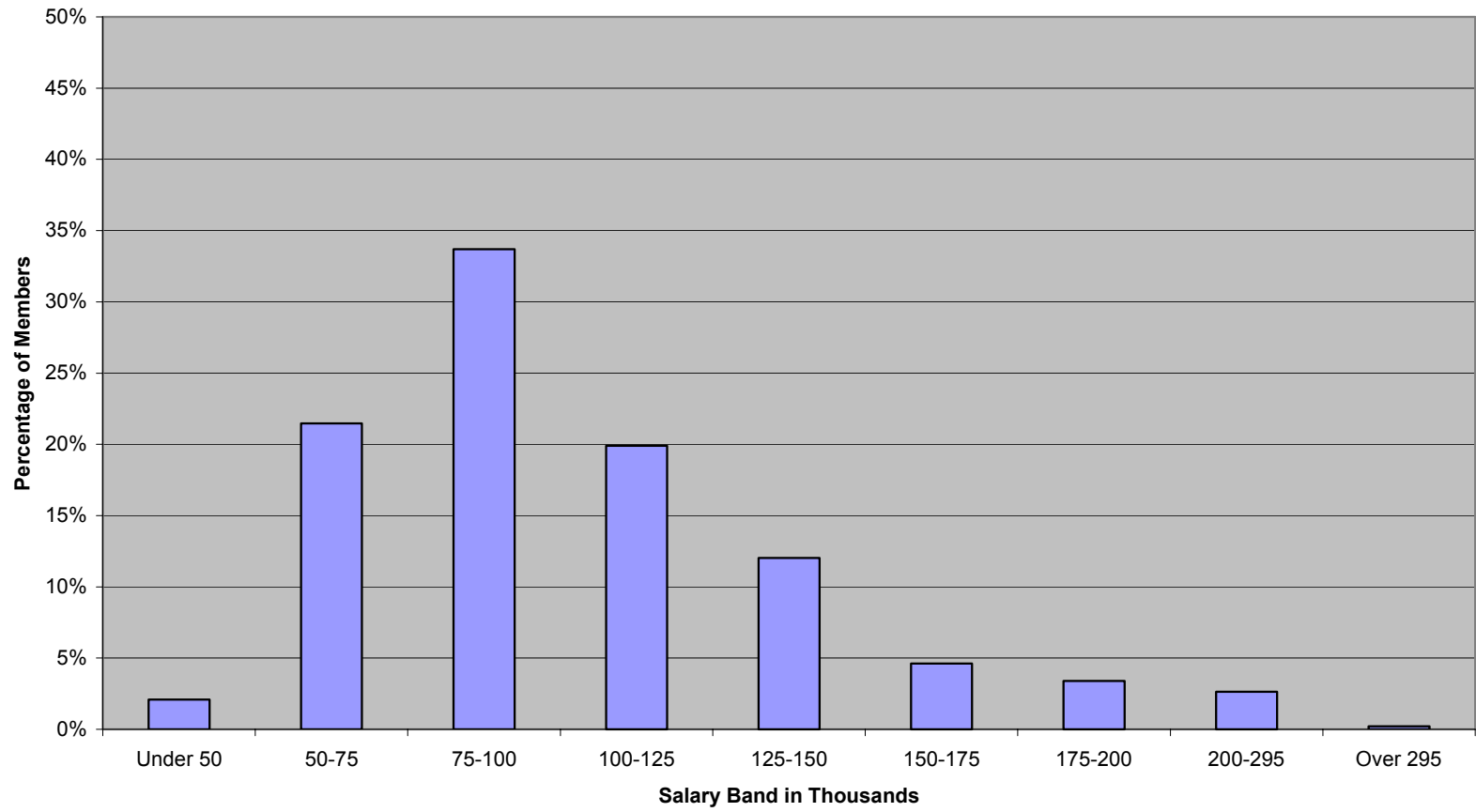
- The Y + Z as a Percentage of X charts show that on average, negotiated and incentive compensation is nearly 40% of an employees base pay.
- Since defined benefit plans tend to favor older, longer service employees, the service charts help to identify the number of health science faculty members who would benefit most from an increase in UCRP Covered Compensation.

Source of Data: Base pay and service are based upon the UCRP actuarial valuation data as of July 1, 2001. For other compensation, data were gathered from all five campuses (Davis, Irvine, Los Angeles, San Diego, and San Francisco) in December 2000. For the most part, the compensation was for the fiscal year 1998/1999. For nearly 500 members at the UCLA campus, 1998/1999 negotiated and incentive compensation was not available, so we used the compensation for the fiscal year 1999/2000. Because more current information regarding negotiated and incentive pay was not available, the number of people without negotiated and incentive pay may be overstated in the following charts due to people hired recently.

Part-time employees were excluded to the extent that they could be identified in the data.

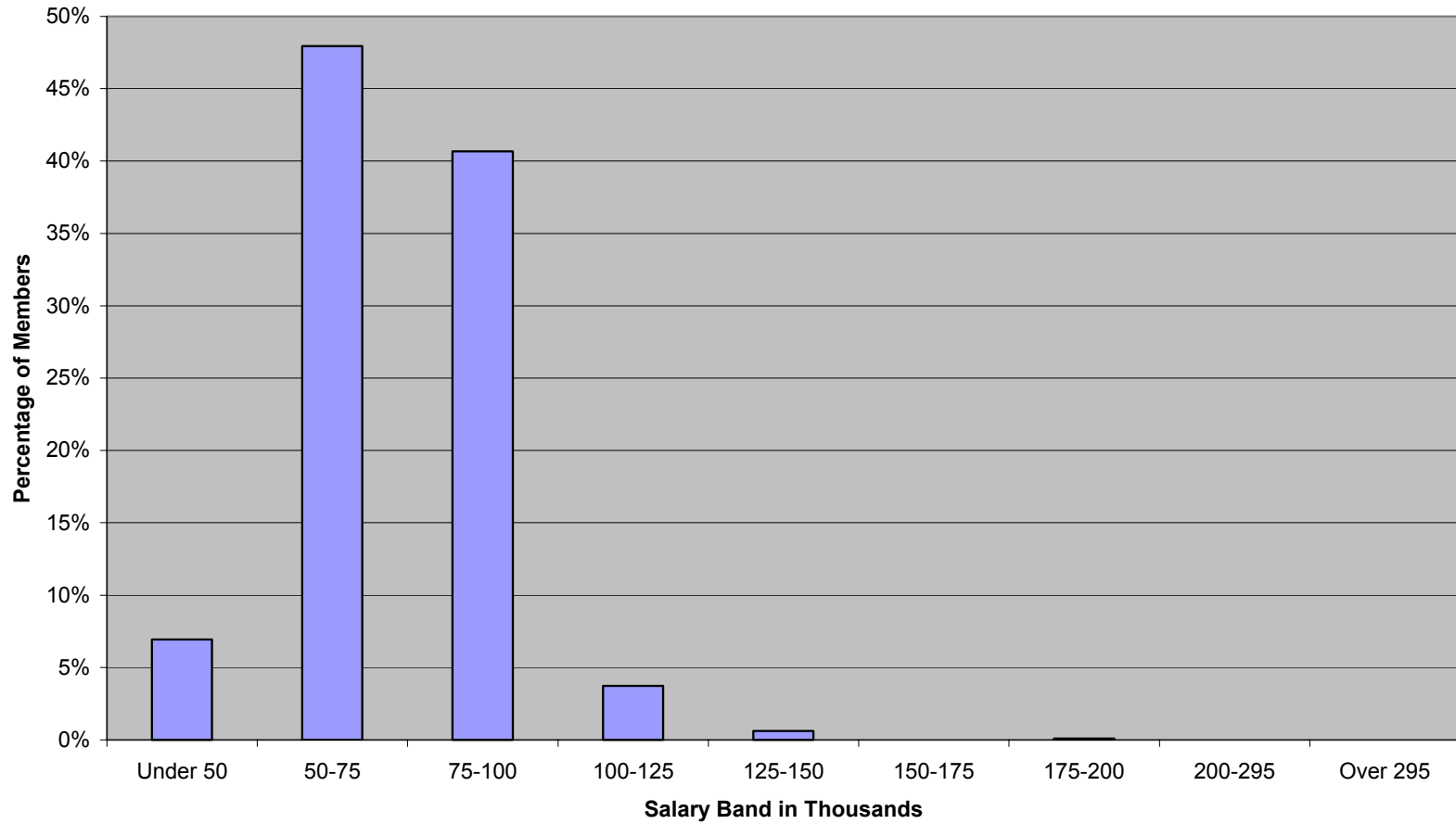
Health Sciences Compensation Plan Members

X Compensation for All Members



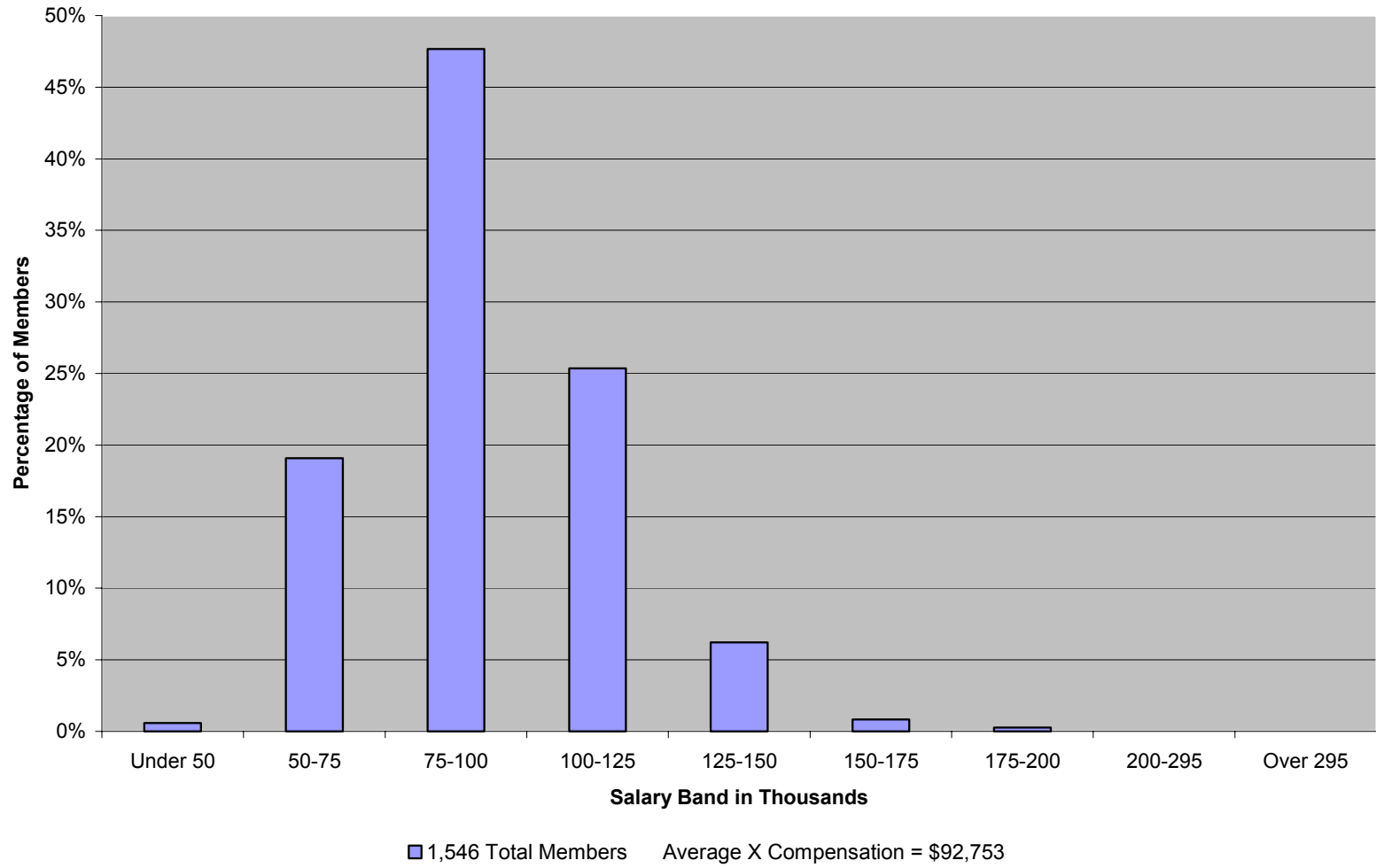
■ 4,360 Members Average X Compensation = \$103,249

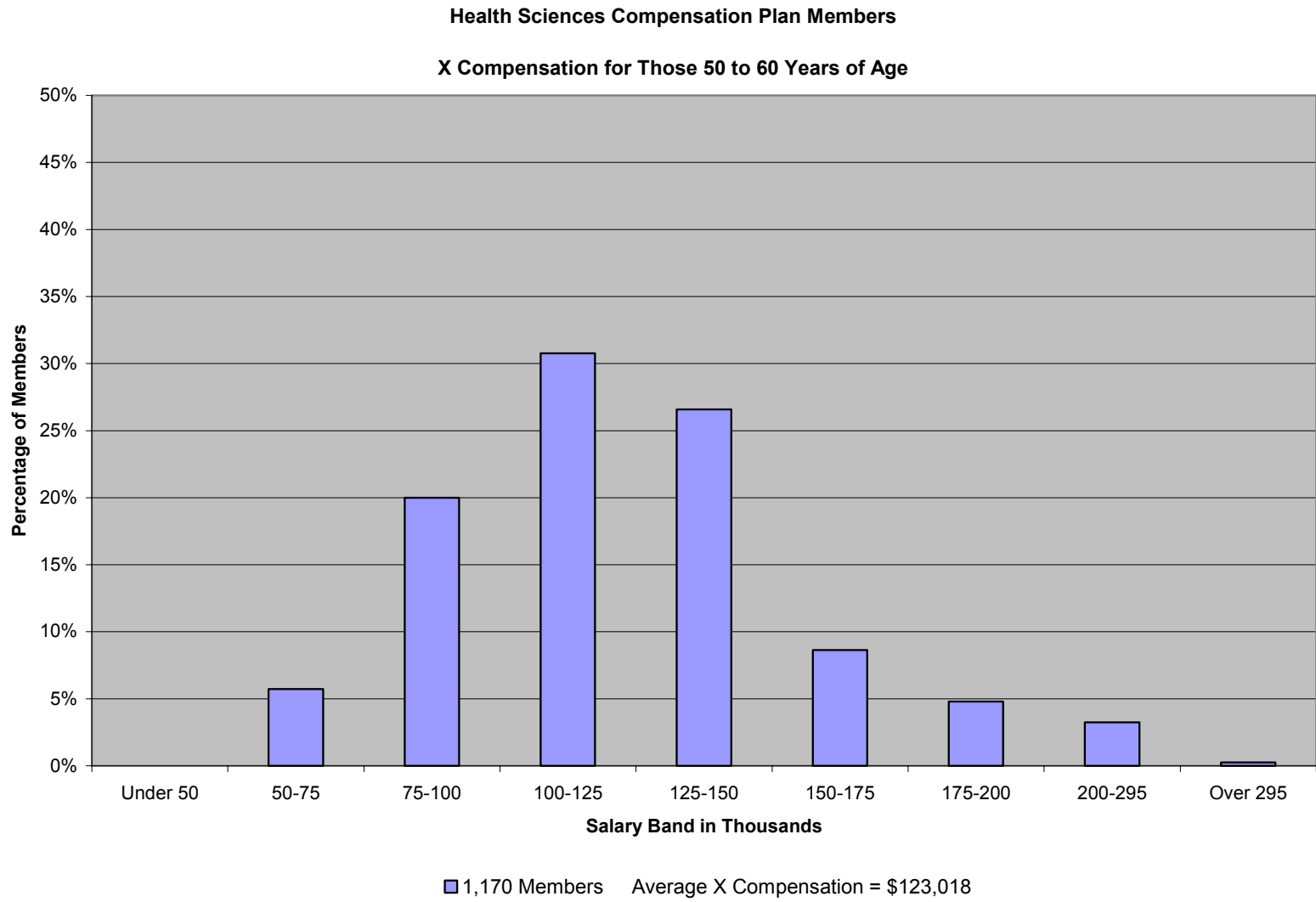
Health Sciences Compensation Plan Members
X Compensation for Those Under 40 Years of Age

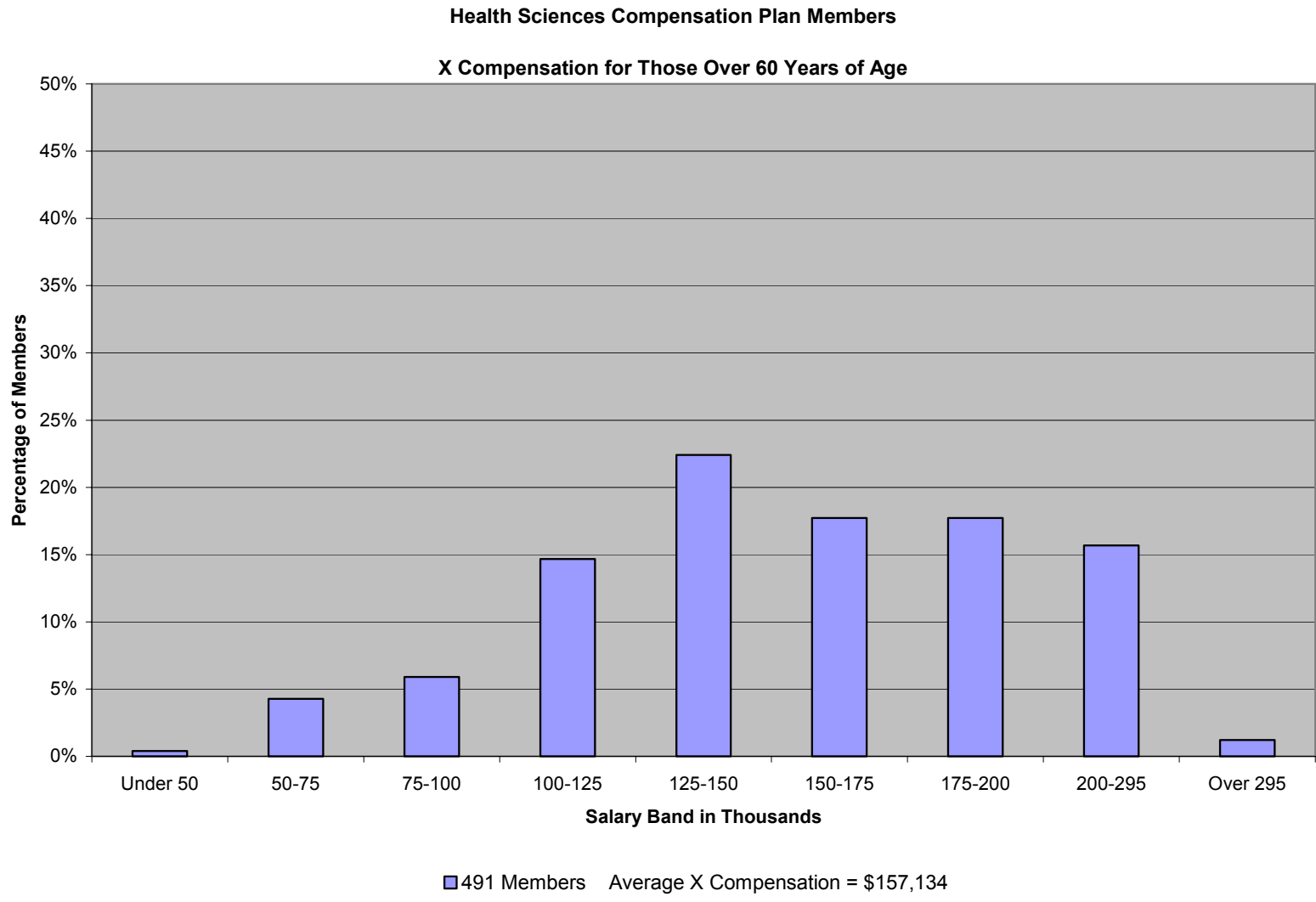


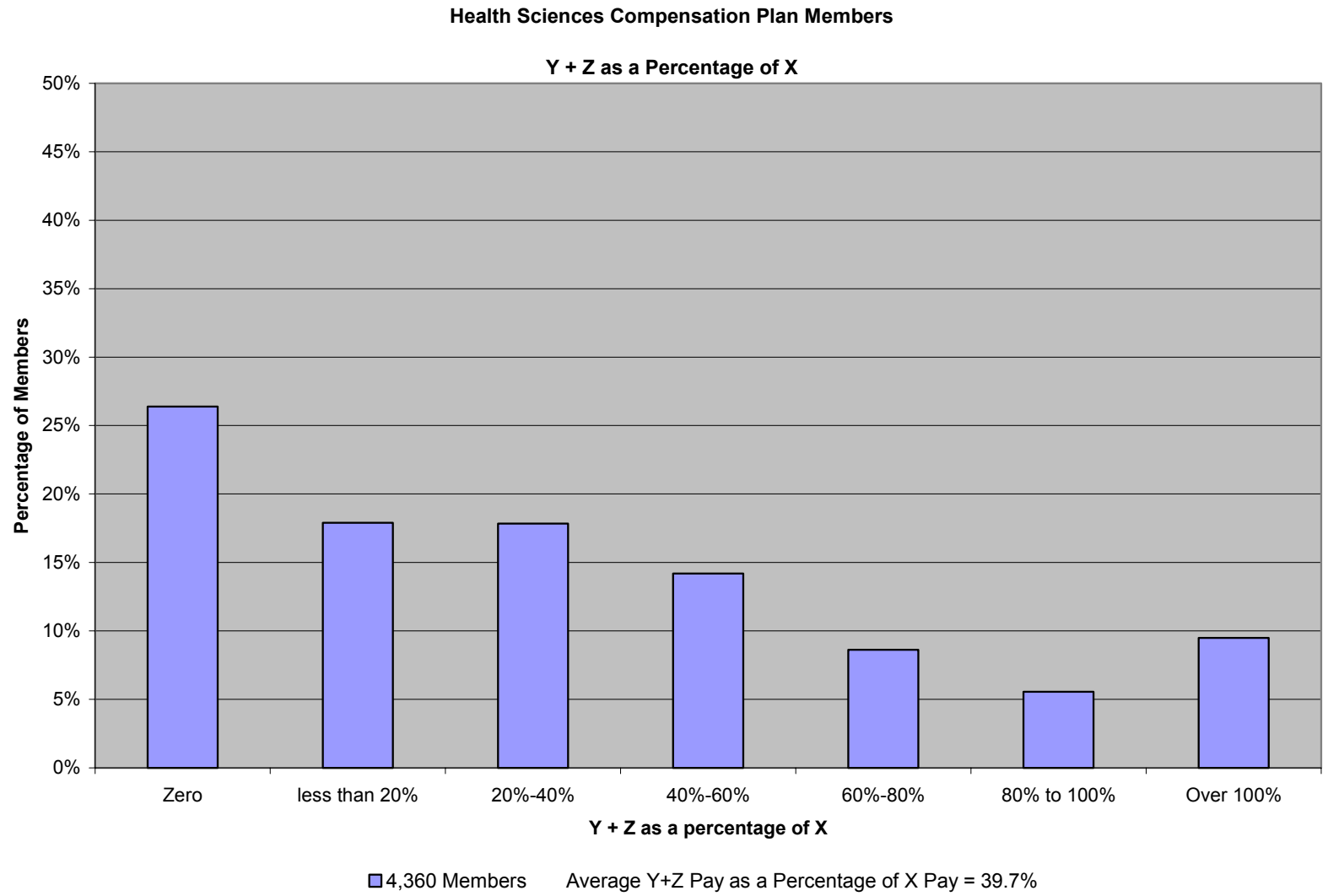
■ 1,153 Total Members Average X Compensation = \$74,313

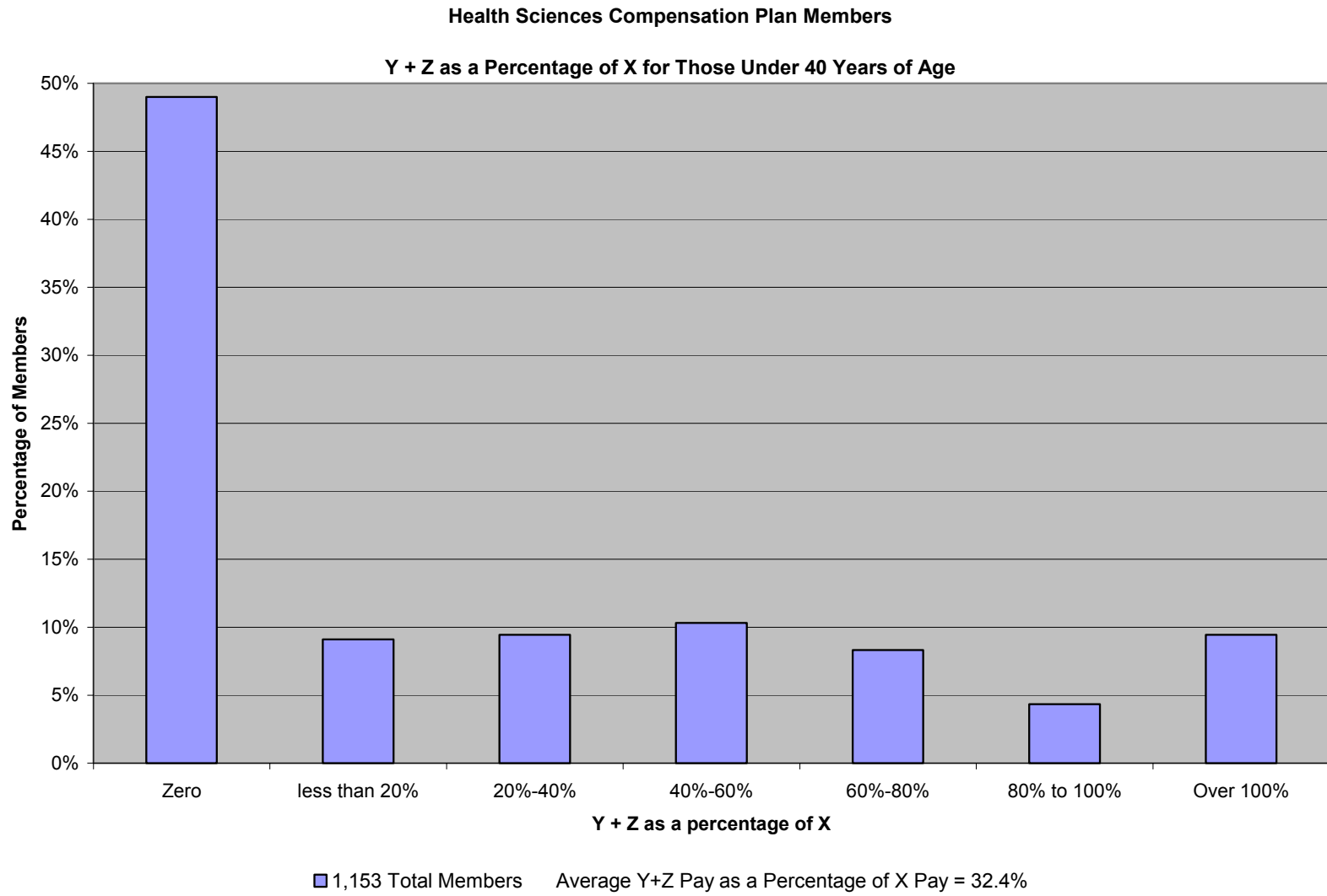
Health Sciences Compensation Plan Members
X Compensation for Those 40 to 50 Years of Age

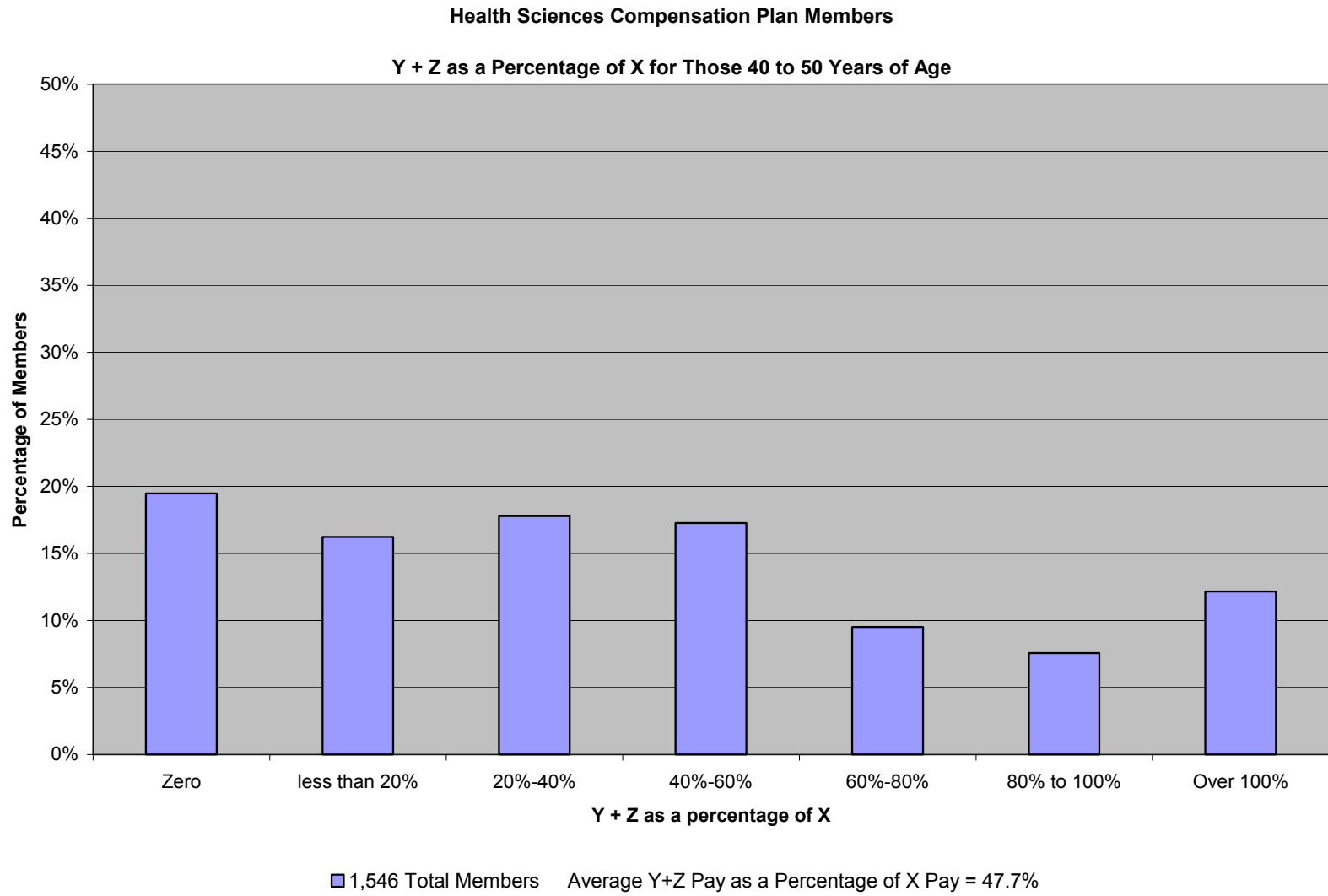


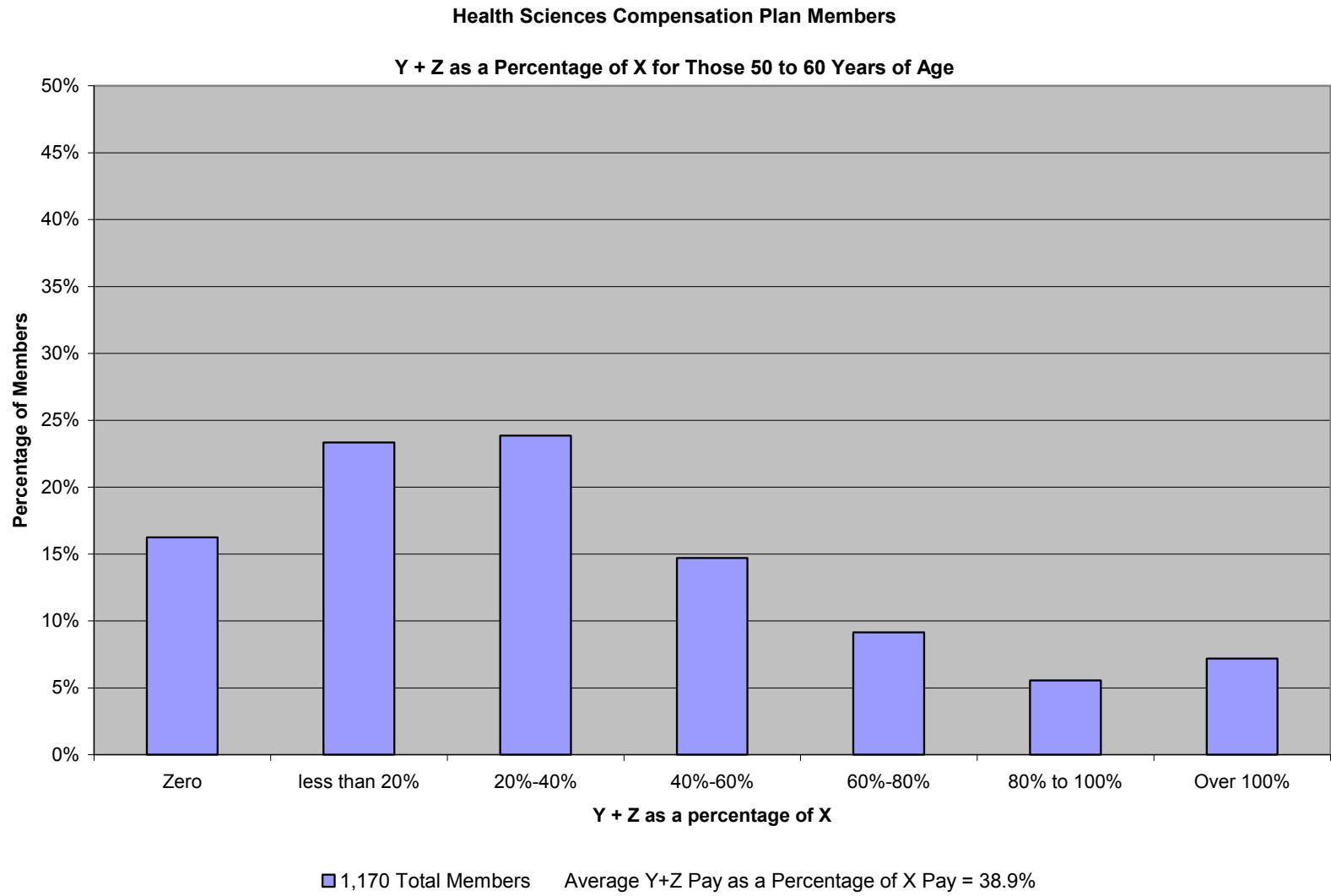


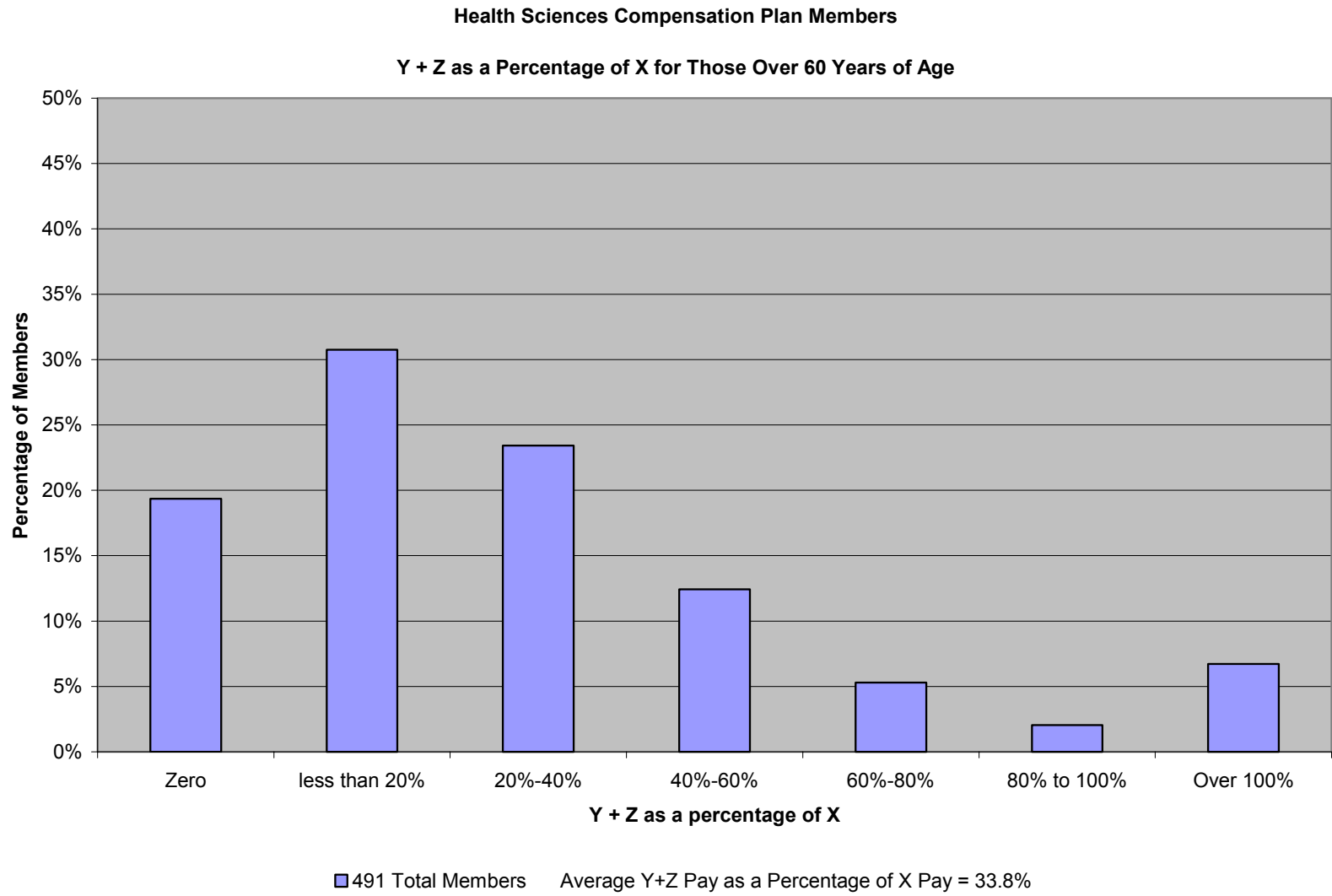






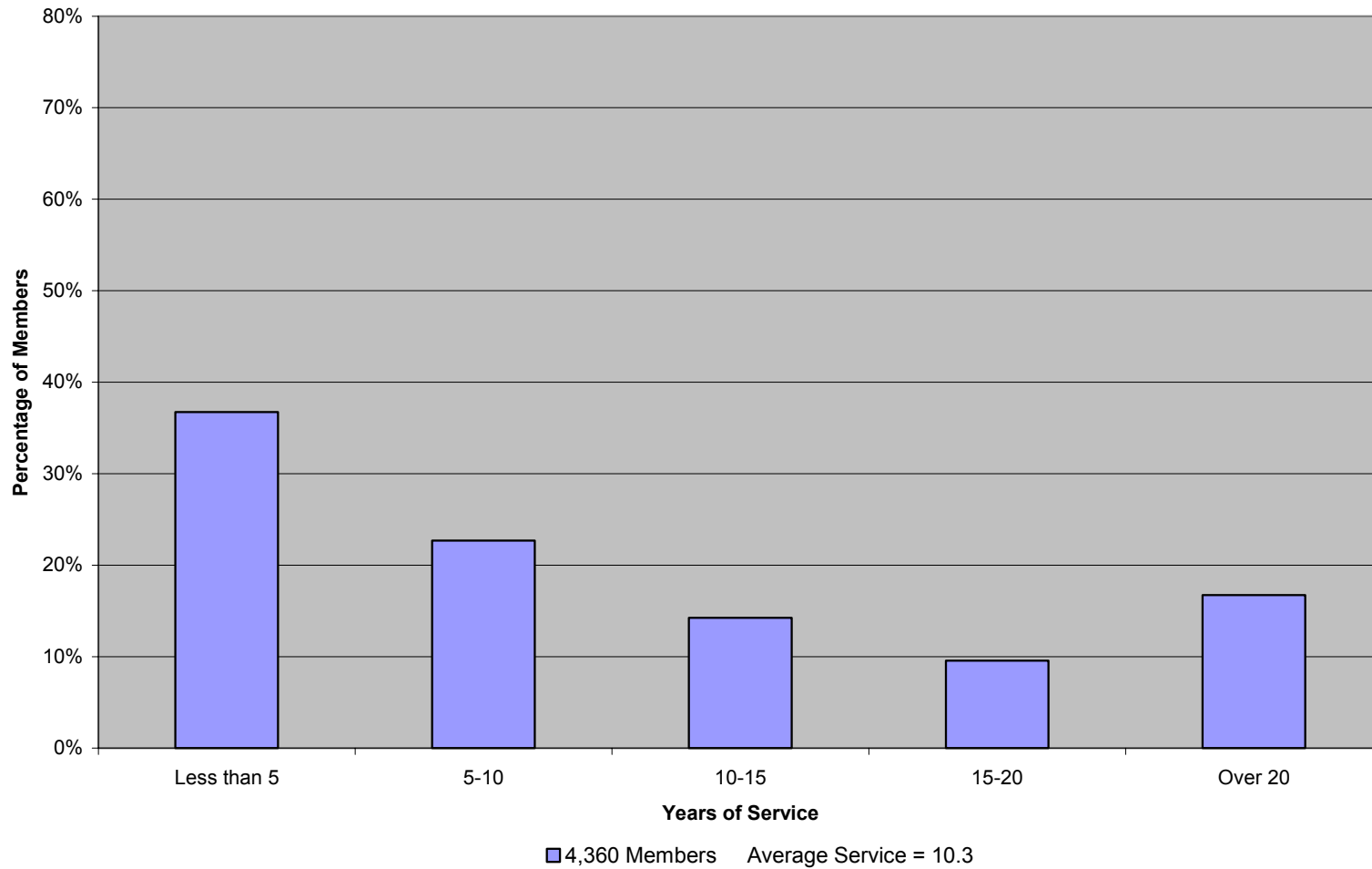


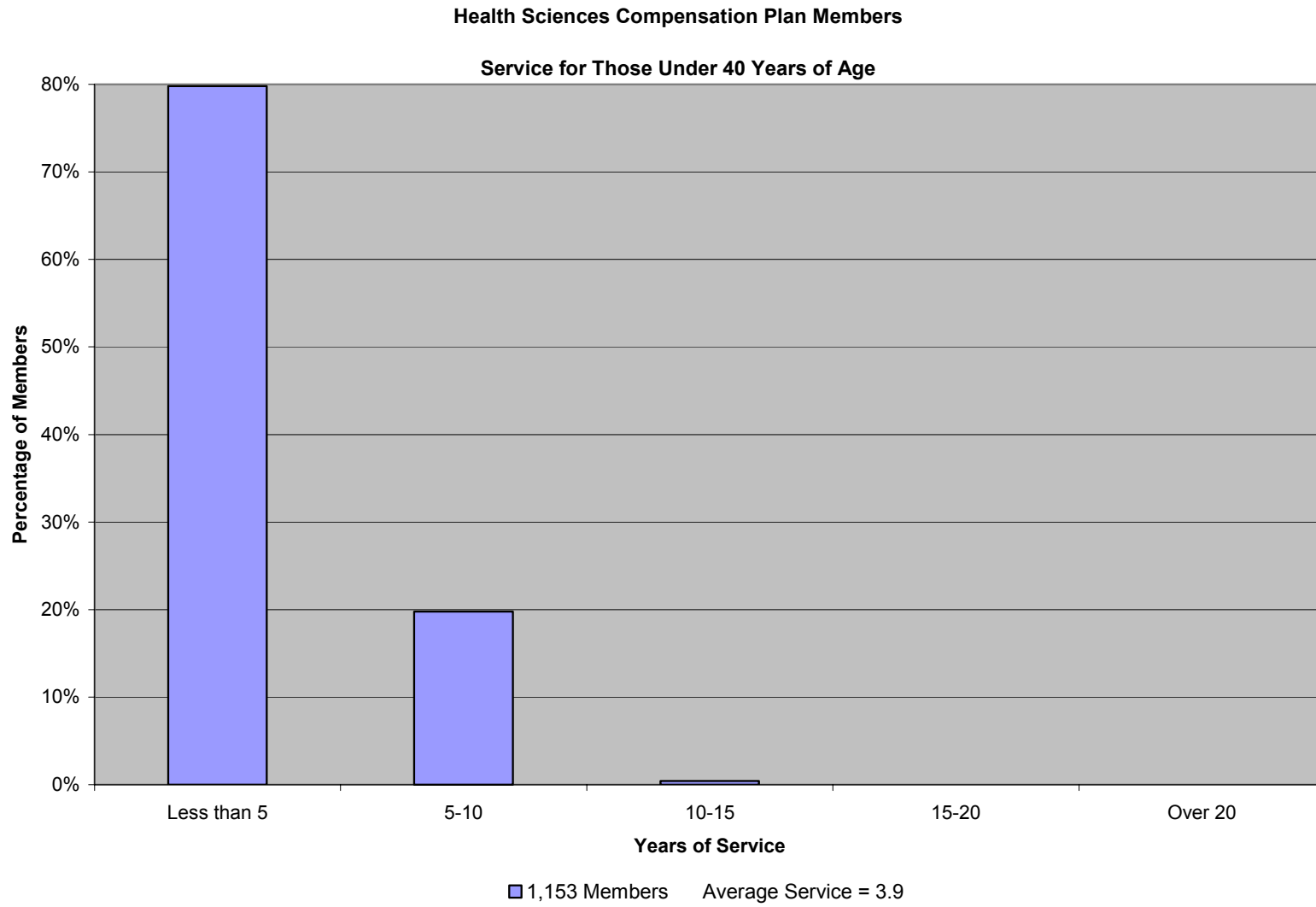


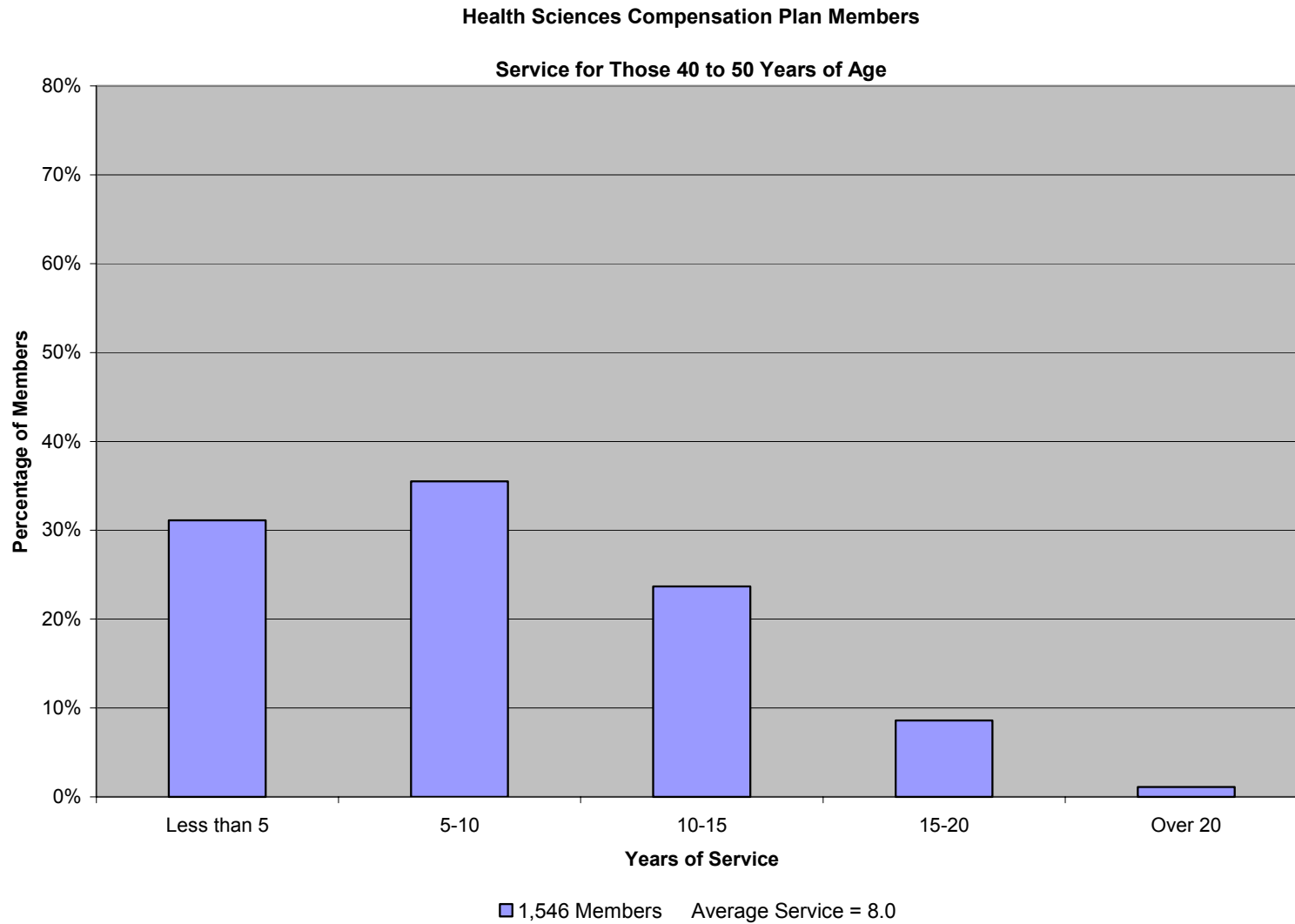


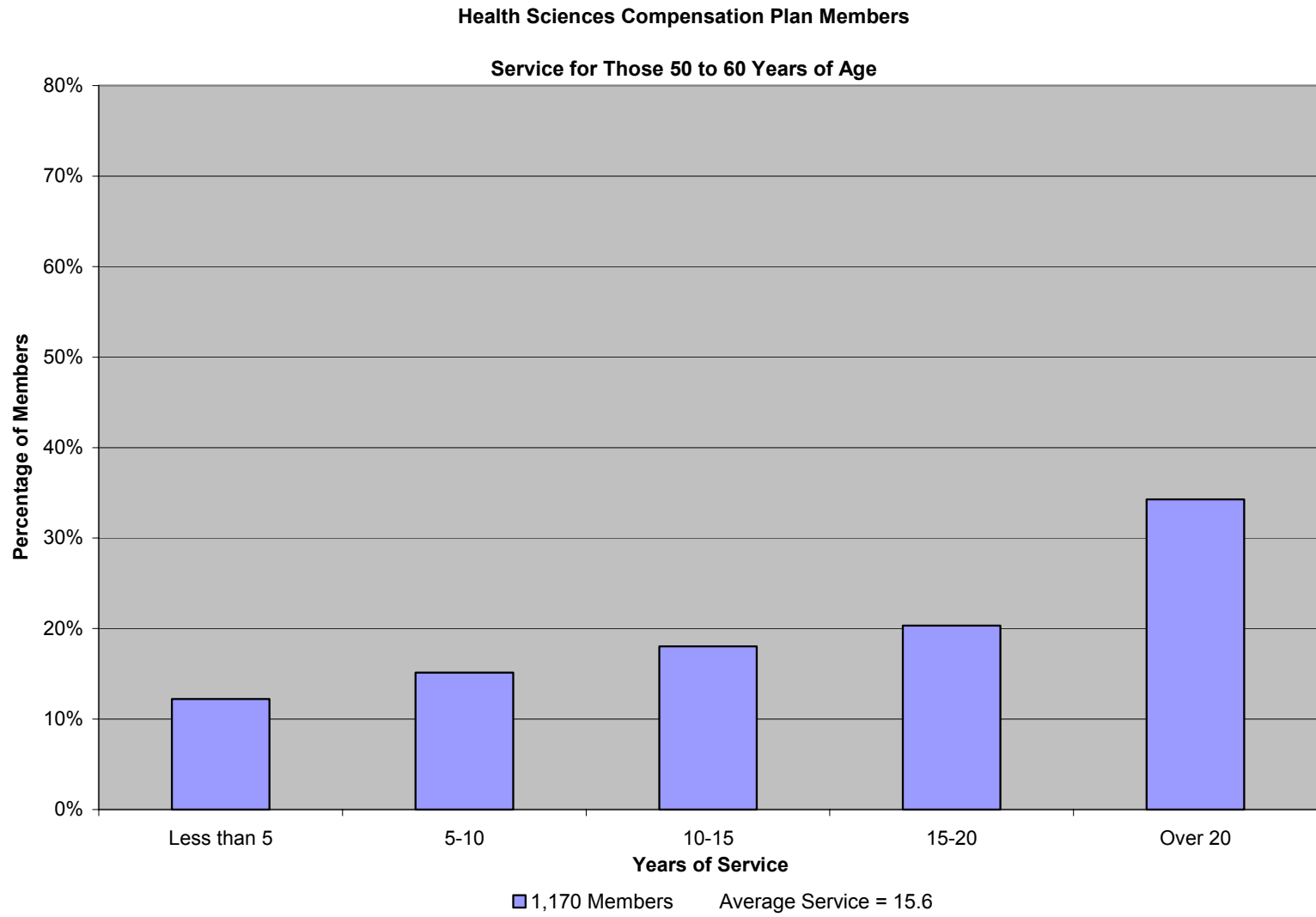
Health Sciences Compensation Plan Members

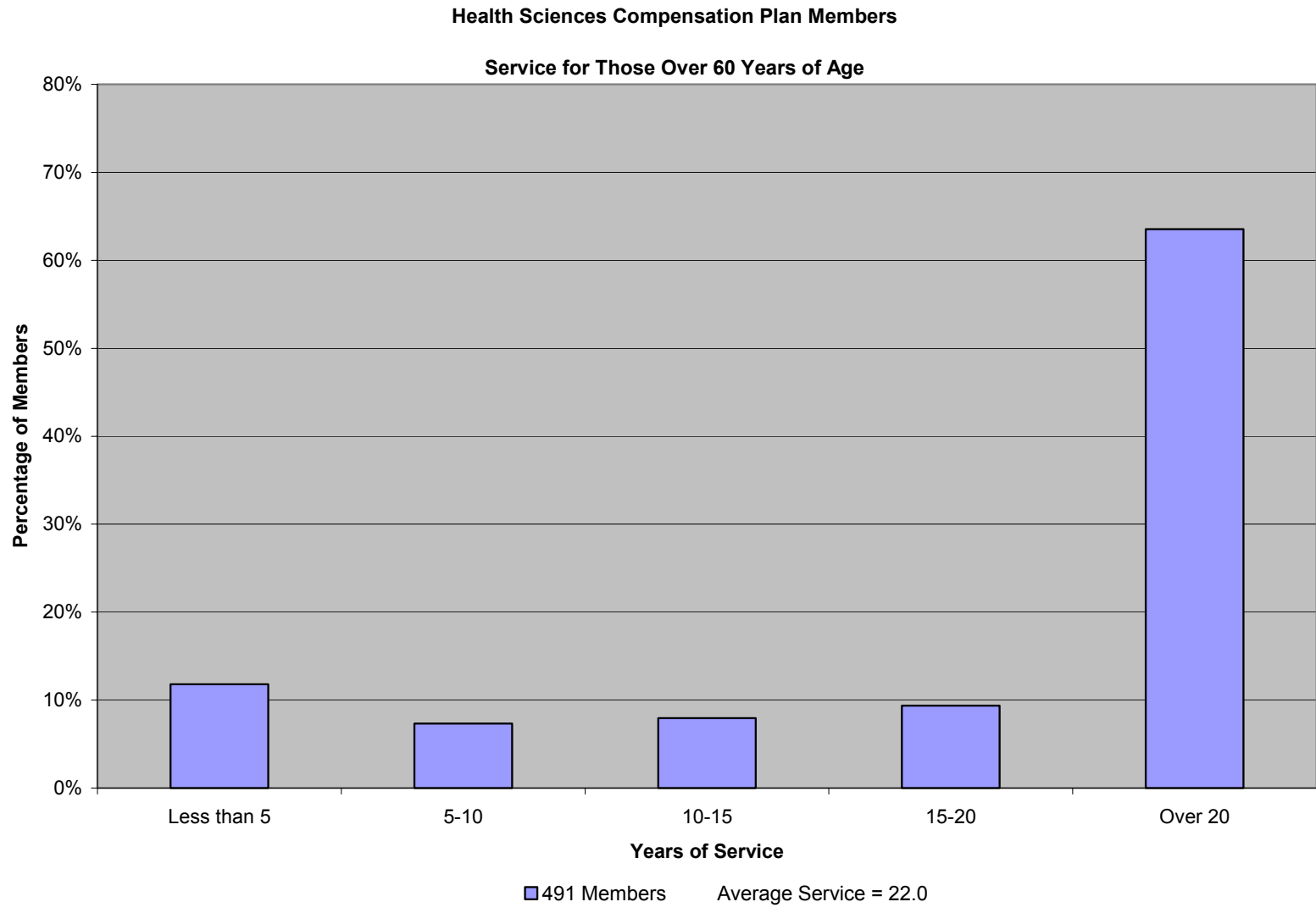
Service for All Members











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