



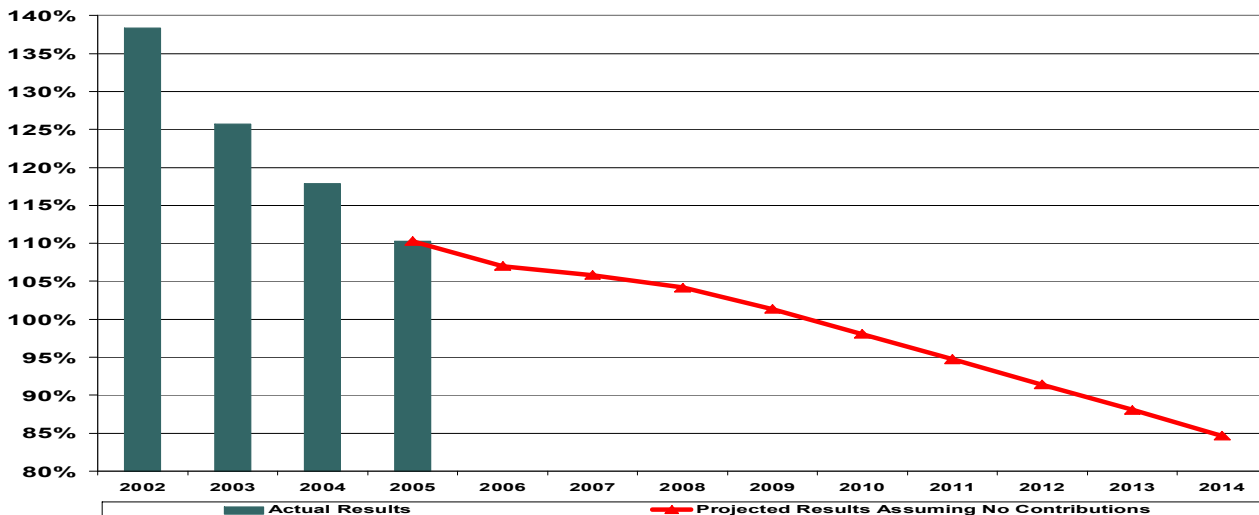
Information about the UC Retirement Plan

Retirement benefits are an important part of the overall compensation for UC employees, and part of the University’s ongoing efforts to ensure the long-term sustainability of its employee benefits. Every year, an outside agency conducts an assessment of the UC Retirement Plan (UCRP) to measure its financial status and recommend an appropriate level of contributions to the pension fund to ensure its solvency for the upcoming year. This assessment, called an “actuarial valuation,” compares the amount of money in the pension fund (“assets”) to the amount of its retirement benefits payment obligations (“liabilities”) to determine its “funded status.” In addition, this year the outside agency also looked at employee demographics and other factors in order to forecast the potential direction of the plan’s funded status in the years ahead.

15-year contribution holiday to end within next several years

Thanks to prudent management and good market performance of the UC Retirement Plan’s investments for many years, a large surplus of assets accrued in the pension fund. The Regents chose to use this surplus to fund the ongoing annual costs of UCRP, in lieu of requiring contributions. As a result, no employee or employer contributions have been necessary since 1990 (the “contribution holiday”). The current actuarial valuation shows that the retirement plan currently remains overfunded (with assets exceeding liabilities), meaning no contributions will be necessary for the 2006 calendar year.

At the same time, however, a byproduct of using surplus assets to fund the annual ongoing costs of UCRP is that the surplus will erode. And, in fact, recent valuations indicate that this level of surplus has been steadily declining, thus contributions will need to be reinstated within the next few years to ensure the plan remains 100% funded.



Efforts to ensure long-term sustainability of benefits and competitive compensation

UC’s ability to attract and retain the caliber of personnel required to maintain institutional excellence hinges on the market-competitiveness of its compensation and benefits. To help ensure that the University can provide competitive total compensation to faculty and staff in a strategic and financially prudent way, the UC Regents will consider strategies for the reinstatement of employer and employee contributions to the retirement plan and potential retirement plan design changes for future employees, as well as potential design and eligibility changes for retiree health insurance. The Regents’ finance committee and the full board are expected to hear recommendations and take action on this issue in 2006.

For represented employees, the changes being contemplated will be subject to collective bargaining with their respective union.