



July 29, 2014

CHANCELLORS
 VICE CHANCELLORS – PLANNING AND BUDGET
 VICE CHANCELLORS – RESEARCH
 MEDICAL CENTER CHIEF EXECUTIVE OFFICERS
 DIRECTOR – LAWRENCE BERKELEY NATIONAL LABORATORY

RE: Follow-Up to FY 2014-15 Update of 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:

This is a follow-up to the letter e-mailed on June 5, 2014 which outlined the UCRP payroll assessment to all locations to pay for the debt service on advances made to UCRP in FY 2010-11 and FY 2011-12¹. On July 31, 2014, an additional \$700 million advance from STIP will be made to UCRP, and the assessment rate will increase effective August 1, 2014². The updated assessment for the remainder of FY 2014-15 is outlined below and will apply proportionally to all funding sources, including grants and contracts, based on covered compensation. (For a projection of future contribution rates and assessments, please see Appendix 1.)

Payroll Assessment as % of Covered Compensation for FY 2014-15				
	UCRP Contribution	STIP Note	External Financing	Total
All Locations	14.0%	0.52%	0.20%	14.72%

Including the July 31, 2014 STIP advance to UCRP, there will be three borrowings outstanding for UCRP. The borrowings are outlined below. Please refer to the June 5, 2014 letter for more detailed information.

Asset Transfer Date	Amount	Borrowing Instrument Utilized	Interest Rate for FY 2014-15	FY 2014-15 Repayment ³
April 2011	\$1,100,766,000	Short-term Investment Pool Note	2.10%	\$27,621,000
July 2011	\$935,000,000	External Borrowing	2.00%	\$18,730,000
July 2014	\$700,000,000	Short-term Investment Pool Note	2.10%	\$19,912,000

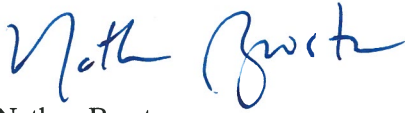
¹ The advances to UCRP funded the unfunded portion of Modified ARC in FY 2010-11 and FY 2011-12. Modified ARC is the Plan's Normal Cost, or the cost for future UCRP benefits allocated to each year of service for active members, plus interest on the unfunded liability. For more information on the advances, please see the Background section below.

² On July 17, 2014 the Regents approved authorization for the President to fund UCRP with a \$700 million transfer from STIP, to be paid back through campus payroll assessments, similar to the previous UCRP borrowings.

³ Includes principal payments for STIP Notes

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

Sincerely,



Nathan Brostrom
Executive Vice President – Business Operations
Interim Chief Financial Officer

cc: Members, President's Cabinet
General Counsel and Vice President Robinson
Vice President Duckett
Vice President Lenz
Associate Vice President Obley
Executive Director Schlingen
Director Schwartz
Director Bowen
Associate Director DiGrazia
Campus Budget Directors
Sponsored Project Offices
Chair of the Academic Business Officers Group

Appendix

UCRP Contribution Rates

The table below provides the UCRP employer contribution rates on covered compensation that have been approved by the Regents up to fiscal year beginning July 1, 2014. 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. The table includes the projected assessment for the repayment of the UCRP advances.

For budgetary planning purposes, it should be assumed that the required UCRP employer contribution rate will remain at 14%. It is important to note that the employer contribution is uniform, applying to employees hired under the original tier as well as the 2013 Tier.

UCRP CONTRIBUTION RATES

Effective Date	UC Employer Contribution	STIP Note/External Note Pmt	New Total UC Employer Assessment
	(Approved Rates)		
July 1, 2010	4%	0.0%	4 %
July 1, 2011	7.0%	0.7%	7.7%
July 1, 2012	10.0%	0.63%	10.63%
July 1, 2013	12.0% ³	0.65%	12.65%
July 1, 2014	14.0% ⁴	0.72%	14.72%
	(Prospective Rates / Not Yet Approved)		(Prospective Rates / Not Yet Approved)
July 1, 2015	14.0%	0.80%	14.80%
July 1, 2016	14.0%	0.90%	14.90%
July 1, 2017	14.0%	1.15%	15.15%
July 1, 2018	14.0%	1.35%	15.35%

³ At the November 2011 Regents' meeting, an increase in the employer UCRP contribution was approved, effective July 1, 2013. <http://www.universityofcalifornia.edu/regents/regmeet/nov11/f5.pdf>

⁴ At the July 2013 meeting, the Regents approved an increase in the employer UCRP contribution rate to 14%, effective July 1, 2014. As with prior employer UCRP contributions, the contribution will be uniform, applying to all members, both in the original tier and those hired on or after July 1, 2013 (2013 Tier) <http://regents.universityofcalifornia.edu/regmeet/jul13/f5.pdf>