

## Planned New 415(m) Restoration Plan Assessment

### BACKGROUND

UC's 415(m) Restoration Plan provides a "top-up" for retirees whose pension benefits are capped by IRS established limits – typically long serving employees with higher salaries. The plan is managed by UC Office of the President and has been funded via annual campus assessments for actual costs of active plan participants and estimated costs for prospective plan participants. Historically, the campus paid the assessment centrally for all units except for School of Medicine and UC Davis Health.

The annual assessment grew significantly from the plan's inception in 2000. By 2016-17, the plan identified 210 employees/employee affiliates at a cost of \$2M. In that year, campus leadership made the decision to decentralize 415(m) assessment costs and provide central campus funding to help mitigate the impact on the units. Central campus retained costs associated with senior administrative personnel. Beginning in 2017-18, campus units were responsible for fully funding their 415(m) assessment costs and received a base budget allocation equal to 80% of their 2015-16 assessments (with some adjustments). The campus allocated a total of \$438,000 in base funding. The School of Medicine and UC Davis Health did not receive an allocation and continued to be responsible for their full 415(m) costs.

### PAY-AS-YOU-GO METHODOLOGY

The 415(m) plan will transition to a pay-as-you-go funding methodology in 2019-20. Assessments will occur only if a retiree draws a payment from the plan. 2018-19 is a transitional year in which the campus's assessment is \$2.171M and consists of \$1.886M for plan annuities in payment status and a \$285,000 allowance for new participants and expenses. An analysis of the 2016-17 unit base budget allocations in comparison to the 2018-19 assessment by unit costs revealed that the existing base budgets did not align well with actual assessment costs (see Table 1, below). The analysis determined that the total base budget amount is sufficient to cover the current assessment costs, but there would be significant variances (over and under) among the units.

Table 1

UNIT	2016-2017	2017-2018	2018-2019	Base Allocation in FY16-17
SOM	\$ 909,391	\$ 1,071,775	\$ 840,920	\$ -
UCDHS	\$ 293,153	\$ 315,802	\$ 359,000	\$ -
Subtotal	\$ 1,202,544	\$ 1,387,577	\$ 1,199,920	\$ -
CAES	\$ 126,639	\$ 177,057	\$ 69,390	\$ 105,222
CBS	\$ 202,718	\$ 231,386	\$ 167,690	\$ 139,519
COE	\$ 55,731	\$ 61,368	\$ 37,760	\$ 37,182
CLAS	\$ 20,119	\$ 37,813	\$ 3,000	\$ 16,095
GSM	\$ 86,554	\$ 80,333	\$ 27,000	\$ 69,243
LAW	\$ 47,953	\$ 53,691	\$ 28,000	\$ 38,362
SVM	\$ 18,556	\$ 41,603	\$ 33,240	\$ 14,845
ICA	\$ 255	\$ 313	\$ -	\$ -
FOA	\$ 12,271	\$ 14,286	\$ -	\$ 9,817
OVCR	\$ 244	\$ 342	\$ -	\$ -
VCSA	\$ 10,404	\$ 9,322	\$ 16,000	\$ 8,323
ANR	\$ -	\$ 234	\$ -	\$ -
Subtotal	\$ 581,444	\$ 707,748	\$ 382,080	\$ 438,608
CAMPUS <sup>1</sup>	\$ 209,760	\$ 236,284	\$ 589,000	\$ -
TOTAL ASSESSMENT	\$ 1,993,748	\$ 2,330,022	\$ 2,171,000	\$ 438,608

<sup>1</sup>Includes senior admin personnel. Total for FY18-19 incl \$285K imposed by OP.

#### 415(m) PLAN PAYMENTS IN 2018-19 AND BEYOND

The following actions are planned to facilitate the change to the new methodology:

- In 2018-19, the campus will reverse the base budget allocations provided in 2016-17
- Campus units will not be assessed their 2018-19 415(m) costs
- School of Medicine and UC Davis Health will continue to fully fund their 415(m) assessments
- In subsequent years, campus units will receive their full assessment costs and a corresponding current year budget allocation so long as the combined total allocation does not exceed \$438,000. Once the total assessment cost exceeds this amount, campus units will receive a proportional share of the current year budget allocation, and will be responsible for funding the balance.
- Central campus will retain the \$285,000 allowance charge and will continue to retain costs associated with senior administrative personnel