

September 17, 2007

TO: ALL FACULTY AND STAFF

**RE: Good news for UC employees about 2007-08 salaries and benefits**

There is good news for UC employees regarding salaries and benefits for the coming year that I would like to share with you.

**IMPROVED FUNDING FOR 2007-08 SALARY INCREASES**

As was announced last month, the state budget combined with other University revenues will provide a 5 percent pool for 2007-08 employee salary and benefits increases. This funding pool includes merit-based and equity-based salary increases and represents a 1 percent increase over 2006-07. This will help advance the Regents' multi-year plan to make employees' total compensation more competitive in the various labor markets in which UC competes.

While a 5% pool is available to all faculty and staff, distribution of funding is subject to collective bargaining requirements, where applicable, so individual salary increases will vary. Specifics of the 2007-08 system wide salary program is as follows:

**NON-REPRESENTED STAFF EMPLOYEES:** A proposed merit funding pool of 4.0 percent and an equity funding pool of 1.0 percent will be used to address significant individual market parity and equity issues for non-represented staff employees, effective October 1 (or October 7 for bi-weekly paid employees). **A separate communication on the distribution of the 1% equity pool will be forthcoming.**

For employees in open salary ranges, the 4% merit pool will be distributed based on performance evaluations. Employees evaluated as "Meeting Expectations" and "Exceeding Expectations" will receive a 4% within range increase. Those employees evaluated as "Not Meeting Expectations" will not receive a salary increase.

Employees in step based salary structures will have a combination of range and step movement equivalent to the 4%, also based on performance evaluations.

In addition, the open salary ranges for PSS and MSP salary grades will be adjusted by 3% which allows for staff currently at the maximum of their range who have satisfactory or better performance to receive a merit and to keep our ranges competitive with our labor market. The new rates can be found at: <http://www.hr.ucdavis.edu/Salary> or [http://www.ucdmc.ucdavis.edu/hr/hrdepts/salary\\_plans/](http://www.ucdmc.ucdavis.edu/hr/hrdepts/salary_plans/)

**REPRESENTED EMPLOYEES:** Salaries for represented employees are governed by collective bargaining agreements so we do not have specific details regarding distribution of these funds at this time.

**ACADEMIC EMPLOYEES:** At their September meeting, the Board of Regents will discuss lagging faculty salaries and a proposal to restore faculty salaries to market-competitive levels within the next several years

[<http://www.universityofcalifornia.edu/regents/regmeet/sept07/j1.pdf>]. However, because salary programs for faculty and other academic employees are handled differently than those for administrative staff, academic employees should consult their local academic personnel office for details about their location's programs.

**SENIOR MANAGERS:** The 2007-08 salary plan for senior managers will also draw from the 2007-08 5 percent funding pool and contain both merit and equity increases (medical center programs may vary from campus programs due to different operating environments). Consistent with UC practice, details about the SMG salary programs will be announced subsequent to the Regents' discussion at their September meeting.

## **BENEFITS UPDATE**

Additionally, the work done this year to begin restructuring the University's health offerings has helped preserve quality benefits and limit cost increases. This is very welcome news considering the reductions in benefits and cost increases employees at other organizations throughout California and across the country are facing.

### **Lower than expected medical benefits cost increases, with preserved and/or enhanced benefits**

Throughout 2007, the Office of the President, in consultation with colleagues throughout the University, worked diligently to explore new options for UC's medical plans in order to preserve good medical benefits for employees.

As a result of these efforts, UC employees will continue to have quality medical benefits, and monthly premium increases will be lower than they would be otherwise. This is particularly good news considering the kinds of benefits reductions and cost increases employers throughout the state and nation are experiencing.

### **Highlights of 2008 medical plans include the following:**

**UC to continue to pay most of the cost:** UC will continue to pay the overwhelming majority of the cost of employee and retiree medical coverage in 2008—over 87%, on average, which is 9% higher than the national employer average— including much of the cost of dependent coverage (especially for children).

### **Cost *decreases* for some employees:**

Employees and retirees currently enrolled in HealthNet and Blue Cross Plus will see **decreased** premiums for 2008 if they remain in their current medical plans. At the same time, UC is adding benefits, including wellness benefits for most employees and retirees and, for some plans, eliminating co-pays for qualifying preventive physical exams, immunizations and well baby care.

**Comparison of UC and CalPERS Health Benefits:**

The following chart shows how UC's medical benefits compared to the state's plans (NOTE: while CalPERS held their average premium increase to 6.3 percent, they eliminated one of their HMO options and raised employee co-payments. UC offers more plans, salary-based rates which helps lower premiums for lower-paid employees, and is not raising employee co-pays, for things like office visits and prescriptions or other out-of-pocket expenses.)

	UC	CalPERS
<i>Gross</i> 2008 medical plan premiums* UC share of premium: 87.4% Employee/retiree share of premium: 12.6%	Overall 8.4% increase over 2007	Overall 6.3 % increase over 2007
Salary-banded rates	Four salary bands	Not offered
Number of coverage categories	Four (inc. "Adult + Child(ren))	Three
Number of plans offered	Ten	Six
Deductibles	No increase	No increase
Co-pays	No increase	A \$5 increase in HMO co-pays for office visits, standardized urgent care co-pays to \$15 for HMOs.
Dental/Vision	Still free to employees	Some dental costs; vision free

\*Figures shown are for gross premiums (the total plan costs paid to the insurance carrier) and not employee premium increases.

**2008 employee rates\* available online**

[\[http://atyourservice.ucop.edu/news/health/08medplan\\_costs.html\]](http://atyourservice.ucop.edu/news/health/08medplan_costs.html): While employees and retirees will see some increases to their monthly medical premiums in 2008, UC has worked very hard to limit these increases and keep medical benefits affordable. In fact, due to these efforts the majority of employees and retirees will see no more than an 8.4% increase in their monthly medical premiums\*. More information on 2008 medical plans and costs will be included in employee Open Enrollment materials, available after mid-October (Open Enrollment is November 1-27).

\*NOTE: Rates shown indicate only *proposed* rates for union-represented employees and are subject to ongoing collective bargaining as appropriate.

### **UC Retirement System: Strong returns keep plan fully funded through the year**

As previously announced, a redirection of contributions back to UCRP will eventually be necessary. Due in part to strong investment performance, the redirection will not be needed for the remainder of the 2007-08 fiscal year

[[www.universityofcalifornia.edu/news/2007/aug07.html](http://www.universityofcalifornia.edu/news/2007/aug07.html)]. The Regents and the administration continue to discuss the timing of the redirection of contributions, and employees will continue to receive updates as information becomes available

### **Learn More About UC Total Compensation**

**At Your Service Online** [<https://atyourserviceonline.ucop.edu/ayso/>] provides personalized estimates of employee UCRP monthly benefit and lump sum cashout based on current salary and work hours.

### **AYS Retirement Plan Benefit Estimator**

[<http://atyourservice.ucop.edu/applications/ucrpcalc/estimator.html>] allows employees to model various scenarios (pay, age, retirement dates) to estimate lump sum cashout and monthly retirement benefits.

### **The Future of the UC Retirement Plan**

[<http://www.universityofcalifornia.edu/news/ucrpfuture/welcome.html>] gives a history of the UCRP, along with the latest information on the plan.

This 5 percent funding pool for employee salary increases and benefit cost increases – more than the 4 percent pool last year, is critical to helping the University continue to close the market pay gaps affecting many UC faculty and staff and make progress toward realizing the Regents' goal of market-competitive compensation for all UC personnel within the next several years under RE-61 [<http://www.universityofcalifornia.edu/regents/regmeet/sep05/re61.pdf>].

For the campus, please direct any questions to Irene Horgan-Thompson (752-1872) for compensation-related matters or Bill Brooks (754-5875) for benefits-related matters. For the Health System please direct questions to Mary Anne Keenan (916-734-8098) for compensation-related matters or John Peklár for benefits-related matters (916-734-5388).

Thank you,

Karen Hull  
Interim Associate Vice Chancellor-  
Human Resources