UNIVERSITY OF CALIFORNIA

Ahmet Palazoglu
Chair, Assembly of the Academic Senate
Faculty Representative, UC Board of Regents

Academic Senate

Office of the President
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Oakland, CA 94607

senate.universityofcalifornia.edu

November 25, 2025

Katherine S. Newman
Provost and Executive Vice President, Academic Affairs

Rachael Nava
Chief Operating Officer

Cheryl Lloyd
Vice President, Systemwide Human Resources

Re: Senate Recommendations on the Total Remuneration Study

Dear Provost Newman, COO Nava, and Vice President Lloyd,

At its November 17, 2025 meeting, the Academic Council endorsed recommendations from the University Committee on Faculty Welfare (UCFW) for conducting the 2025 Total Remuneration Study. The recommendations are grounded in a statement developed by UCFW's Task Force on Investment and Retirement (TFIR) that is based on an analysis by the Academic Senate members of the Total Remuneration Advisory Committee (TRAC).

Council agrees with UCFW, TFIR, and the Senate TRAC members that several elements of Deloitte's proposed methodology will not yield an accurate or relevant assessment of UC's current total remuneration. Council concurs that the appropriate study population for measuring the competitiveness of UC's current benefits is employees in the 2016 tier of the UC Retirement Plan. In addition, total remuneration should be measured from the employee-value perspective, using changes in the expected present value of future pension and retiree-health benefits attributable to a year of service, rather than employer-cost measures.

Council supports the TRAC members' recommendation that Deloitte conduct the analyses using this employee-value modeling approach. The Council therefore advises the study's sponsors to:

- Treat the results generated using the Senate TRAC/TFIR methodology as the only appropriate basis for presentations, communications, and policy deliberations regarding total remuneration.

- Avoid blending, averaging, or otherwise combining these results with those produced using Deloitte's preferred method.
- Ensure shared editorial responsibility for the final report, enabling TRAC members to articulate the differences between the methods and their implications.
- Provide a complete draft set of results to UCFW, TFIR, and TRAC for review and comment prior to finalizing the report.

The Council appreciates your offices' efforts to ensure the Total Remuneration Study provides accurate, methodologically sound information to guide UC's workforce and compensation policies.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Ahmet Palazoglu
Chair, Academic Council

cc: Academic Council
UCFW Chair Bales
TFIR Chair Hollenbach
Vice Provost Varsanyi
Deputy Provost Lee
Senate Division Executive Directors
Senate Executive Director Lin

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UNIVERSITY COMMITTEE ON FACULTY WELFARE
KAREN BALES, CHAIR

November 11, 2025

AHMET PALAZOGLU
CHAIR, ACADEMIC COUNCIL

RE: Total Remuneration Study Methodology and Usage

Dear Chair Palazoglu,

UCFW's Task Force on Investments and Retirement (TFIR) has developed several recommendations pertaining to the ongoing study of UC's Total Remuneration, and UCFW concurs and asks that the Academic Council endorse these recommendations. The committee agreed with TFIR that adopting a series of recommendations made by the Senate members of the Total Remuneration Advisory Committee (TRAC) will achieve the goals of the study. Equally important, UCFW believes that where the proposed approaches differ, methods preferred by Deloitte, the consulting firm collaborating on the project, will not achieve these goals.

The documents that follow provide considerable background, but to avoid repeating it, a short summary is that TFIR and UCFW agree with the Senate members of TRAC that the appropriate population to use to study the current competitiveness of UC's benefits is the group receiving those benefits, individuals hired on or after July 1, 2016 (i.e., the 2016 tier within UCRP). The committees do not support Deloitte's preferred counterfactual analysis that includes employees from the 1976 and 2013 tiers, pretending that they are covered by a weighted average of the provisions in the 2016 tier. We feel that any reference or baseline analysis should be as free of artificial data as possible, and that Deloitte's approach does not measure the competitiveness of UC's current salaries and benefits. The majority of individuals Deloitte would include are not even in the 2016 tier.

The committees also agree that Deloitte is proposing to value retirement benefits using measures that are appropriate only for determining the *employer cost of the plans* (for pensions and retiree health), which is not the objective of the study, and that these measures do not align with the benefits an individual employee earns from a year of service. It is the *incremental changes in the expected present value of future benefits* that are attributable to a year of service that represent the relevant components of total remuneration from the employee's perspective. The Senate members of TRAC have proposed using these measures and our two committees agree.

TFIR and UCFW support Provost Newman's proposal for Deloitte to produce, in effect, two studies, one following Deloitte's preferred method and one using the methods proposed by the Senate members of TRAC, working with TFIR. We would prefer that there be only one analysis and that it use our preferred methods, but the Provost's proposal respects Deloitte's preferences and ours, so we will consider the question settled. We recommend that the Academic Council focus instead on what can be done with the studies and the data that they are built upon. (An important part of this project remains the commitment to provide individual data to the Academic Senate, once the information is suitably anonymized. As TFIR has emphasized, individual data based on the Deloitte method will not be useful for subsequent analyses, unlike data based on our preferred approach.)

UCFW asks that the Academic Council approve the following recommendations:

1. Academic Council will inform the study's co-sponsors that the Senate considers the results from our preferred modeling approach to be the only results that should be used in presentations, communications, and policy deliberations.
2. Moreover, the two sets of results should not be averaged or blended in other ways. This is because *they are not* two equally valid ways of estimating the same thing; Deloitte's method is about employer cost, not employee value, the fundamental determinant of the competitiveness of total remuneration.
3. Academic Council will also ask the co-sponsors to ensure that there will be sufficient shared editorial responsibility for the final report that the Senate members of TRAC (and any other TRAC members) can ensure that the report will convey their views about the differences in the two approaches.
4. Academic Council also urges that Deloitte present a full set of results, in draft form, to interested members of TRAC, TFIR, UCFW, and the latter's Health Care Task Force, for review and comment.

Please let us know how we may be further assistance.

Sincerely,

Karen L. Bales

Karen Bales

Cc: Academic Council Vice Chair Ahmet Palazoglu
Senate Executive Director Monica Lin
UCFW Members

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UNIVERSITY COMMITTEE ON FACULTY WELFARE
TASK FORCE ON INVESTMENT AND RETIREMENT
JILL HOLLENBACH, CHAIR

October 30, 2025

KAREN BALES
CHAIR, UNIVERSITY COMMITTEE ON FACULTY WELFARE

RE: 2025 Total Remuneration Study Update

Dear Chair Bales,

TFIR has met several times to discuss the ongoing Total Remuneration Study, including with Deloitte, HR consultants, and Academic Senate members of the advisory committee for the study. The statement that follows represents TFIR's recommendation for an Academic Senate policy concerning the study and the appropriate methods for modeling the competitiveness of UC's salaries and benefits.

To summarize, TFIR supports the modeling approach recommended by the Academic Senate members of the Total Remuneration Advisory Committee (TRAC), to replace certain parts of Deloitte's approach. Moreover, TFIR cannot support the modeling proposed by Deloitte, and recommends that any internal discussions, presentation of results, and certainly policy deliberations avoid mixing the two sets of results. They are not comparable and they are not two equally valid ways to measure the same thing. TFIR's view is that only the analysis proposed by the Senate members of TRAC achieves the objectives of the study.

TFIR thus recommends that UCFW endorse the statement that follows and these recommendations. In doing so, it will be important to emphasize that our statement is not advocacy for doing two studies; TFIR views that decision as a done deal. Rather, our emphasis is on the interpretation of the two approaches. TFIR wants to be on record, and advises that UCFW and the Academic Senate express a similar view, that only the analysis proposed by the Academic Senate representatives on TRAC will yield useful and relevant measures of total remuneration for every individual in the study. In particular, we want to strongly recommend against any kind of model averaging to combine results: the average of a biased result and one that is based on more defensible modeling does not represent an improvement over the defensible method alone.

We look forward to advancing our shared goals.

Sincerely,

Jill Hollenbach, TFIR Chair

Cc: Academic Council Vice Chair Ahmet Palazoglu
Senate Executive Director Monica Lin
UCFW Members

UNIVERSITY OF CALIFORNIA Academic Senate

TFIR's Statement on the Total Remuneration Study

It is the conclusion of the Academic Senate members of the Total Remuneration Advisory Committee that Deloitte's methods proposed for use in the Total Remuneration Study are biased and misleading. There are two main areas of disagreement. The first concerns the relevant population of employees to study and the second pertains to the valuation of benefits that will be paid in the future, specifically retiree-health benefits and defined-benefit pensions. In order to ensure a robust result from this effort, one that will provide the appropriate insights regarding the University's actual competitiveness in the current academic market, the Senate representatives have recommended specific analyses and calculations to be used as replacements for Deloitte's approach. TFIR is in complete agreement.

This statement explains TFIR's views. Recognizing that the methods and even the purpose of the Study are still unclear to many, our statement begins with background. We then address several aspects of the current effort that deserve the Academic Senate's attention.

Background for Total Remuneration Studies

The current study follows a series of past studies examining the competitiveness of UC's total remuneration, beginning in 2005. Readers of this statement who are unfamiliar with what such studies include might want to consult the 2009 study of faculty and staff and the 2014 study of faculty only. A Regent's item from July 2015 provides additional background.

Employer cost and employee value. A key point that must be understood is that employer cost, which Deloitte intends to measure, is not employee value. Only the latter is relevant for total remuneration. It might help to remember how UC funds these benefits. Each represents an anticipated, future benefit that UC provides annually to retirees. Annual pension payments are funded with employer and employee contributions assessed on covered compensation during every year of an employee's career, plus investment earnings. Contributions and certainly returns on invested contributions can vary from year to year, but that variation has no effect on the future benefits that are provided (by formula). In contrast, retiree-health benefits provided to current retirees are funded from current payroll assessments, 100% pay as you go, with no prefunding of the benefit. Hence it should be clear that the temporal patterns for employer cost chosen by UC to fund these two benefits are completely separated from the benefits employees receive from those plans. UC can pay for both benefits however it sees fit, and the benefits themselves do not change. Annual costs bear no relationship to annual benefits received by retirees. Every year of service at UC brings changes in the expected present values of the two benefits, and these are the relevant measures to include in total remuneration; they bear little relationship to funding decisions.

Comparing salaries vs total compensation. Total remuneration is more difficult to study than one might expect. It is relatively straightforward to compare UC salaries to salaries at other institutions, but doing so provides an incomplete picture of UC's competitiveness for recruitment and retention of faculty and staff. Benefits also matter, they can differ substantially across institutions, and they are also more difficult to compare. For instance, it is not a trivial task to compare defined-benefit plans such as UC's Pension Choice option to defined-contribution plans for retirement benefits. They are easy to compare using employer cost, but again, employer cost does not determine the value to employees. UC's introduction of the 2016 tier that introduced a cap on pensionable salaries substantially below the IRS limit, along with supplemental defined-contribution benefits, adds further complication. It is not even an easy exercise to compare an individual's total remuneration across the 1976, 2013, and 2016 tiers in UCRP, along with the various eligibility requirements for retiree-health insurance that apply based on date hired. Moreover, some benefits depend on salary, so for multiple reasons, it is preferable to study all components of total remuneration jointly, as opposed to comparing individual benefits or salaries in isolation.

The importance of eligibility rules for employee total remuneration and workforce behavior. Along with characterizing competitiveness in recruitment and retention, it is also of interest to understand how the benefits UC offers, along with eligibility rules, create incentives to remain at UC as retirement approaches (the familiar "golden handcuff") and later, incentives to retire at or near a targeted age. For a given level of spending on salaries and benefits, it might be worth considering whether the mix is right and whether UC's eligibility rules, and the behavioral patterns that result, align with the university's priorities. For instance, when the 2013 tier in UCRP was introduced, it was because it was recognized that incentivizing employees to continue to work until they were eligible for Medicare or closer to that age resulted in substantial savings to the university. To bring this about, the targeted retirement age (at which the "age factor" determining pensions reaches its maximum of 2.5% per year of service) was raised from 60 to 65 and a somewhat stricter eligibility rule was introduced, for employees to qualify for the maximum UC contribution to retiree health insurance. At full eligibility, the benefits are essentially the same as for the 1976 tier, unless the cap is binding, but the penalties for early retirement are greater in both the 2013 and 2016 tiers in UCRP.

Because of the substantial differences in benefits plans among institutions, and their interactions with eligibility rules, understanding total remuneration, competitiveness, and behavioral implications that result involves a lot more than simply comparing levels of spending by the employer. Total remuneration varies substantially by age and years of service, meaning that such studies therefore involve a much different focus than simply measuring employer cost. To understand the attractiveness of UC employment at each age, and to determine retirement readiness or its mirror image, the incentive to keep working, requires estimates of total remuneration that reflect the value an employee receives from the current year of service.

Issues with the Current Study

As noted above, there are two main categories of disagreement between the Senate members of TRAC and Deloitte. We consider these in turn, beginning with the study population and turning to the valuation of retirement benefits.

Focus on the benefits currently offered. TFIR concurs with the recommendation by Senate members of TRAC that the study should focus on employees in the 2016 tier of UCRP, since that tier defines the benefits available to employees we now hire. Analyzing the compensation of employees covered by older tiers is of no relevance for current competitiveness and hence for current policy. Incorporating data for individuals who are not in the 2016 tier requires making assumptions about the benefits they would have chosen, had they been presented with the 2016-tier options. Deloitte's results will not describe these individuals' actual experience, since these are not the benefits they receive. We see little to gain from adding these individuals to a study of current benefits, yet Deloitte's proposed report opens with these baseline results that depend on artificial data. Contrary to Deloitte's assertion, the results will not provide a picture of UC's current degree of competitiveness, nor will the results provide accurate information about either of the retirement options in the 2016 tier (i.e., Pension Choice and Savings Choice). Senate members of TRAC suggested a compromise, leading with the 2016 tier and actual data, then a sensitivity analysis to see what conclusions change when the older tiers are added. Unfortunately, Deloitte has not agreed to this approach, hence TFIR shares the Senate TRAC members' concern about presenting headline, quotable results using fictitious and misleading data.

We understand that Deloitte intends to include a disclaimer implying that our recommendations are not consistent with actuarial practice, due to the heterogeneity in the populations from UC and at comparators. It is our expectation that this committee will have the opportunity to include a short statement of its own, responding to the claim. Particularly since the Senate members of TRAC have proposed several ways to avoid the need for the caveat, we would prefer that no such claim be included. We encourage Deloitte to work with UC and TRAC to determine whether there are methods to correct for the issue that would obviate the reason for the disclaimer.

Valuing changes in retirement wealth. Turning to valuation, Deloitte proposes to use an implementation of the Projected Unit Credit (PUC) method that produces valuations that are inconsistent with the structure of UC retirement benefits. It bears repeating that total remuneration is not about allocating employer costs, as PUC does, it is about measuring the value to the employee from a year of service at UC. The value of a year of service is easily represented by the changes in the expected present values of future pension benefits and future employer contributions to retiree health, respectively. We refer to these expected present values as retirement wealth variables; in many ways, they have much in common with more familiar balances in defined-contribution plans like 401(k) plans or UC's DCP. We believe that Deloitte calculates these present values correctly, but rather than using *increments* to each measure due to a year of service as the relevant components of total remuneration, Deloitte *averages* these values calculated over all years of service. This is one method for allocating *employer costs*, within the PUC framework, but it does not describe incremental change in the value of employee benefits. In particular, it is impossible for Deloitte's method to produce negative values for the changes in expected present values, but that is a key feature of both UC's pension and retiree-health benefits.

Anyone who has used the lump-sum cash-out calculator on the UCNET web site knows that the expected present value of pensions begins to decline at around the age at which the UCRP age factor reaches its maximum, i.e., 60 for the 1976 tier and 65 for the newer tiers. In Deloitte's method of evaluating benefits, no matter how long the individual delays retirement, the incremental value can never be negative. This result is thus at odds with the basic structure of UC's pension plan and the incentives it creates.

For retiree health, employees know that turning 65 with 20 years of service earns one a full 100% of the UC contribution to retiree health premiums. Working past 65/20 not only cannot improve this 100% benefit. As such, the expected present value of retiree health insurance declines each year beyond the age at which the 100% contribution is reached. Deloitte's method cannot produce negative changes in this variable to include in total remuneration.

One should also keep in mind that while it is easy to illustrate the problems with Deloitte's approach using fully eligible and somewhat extreme examples, the problem with incorrect measurement applies to *every year of service.* It is more difficult to guess at the resulting bias for mid-career employees, but these extremes are simply the most straightforward to illustrate, not the only results that will prove misleading. Ignoring negative or zero values seems almost guaranteed to overstate the value of retirement benefits at UC. But whatever the effect, the confusion of average and marginal effects is sufficient to discredit Deloitte's calculations and we see nothing to be gained by taking such an approach.

A Note on Longitudinal Comparisons

Is the Deloitte method useful for comparison to the 2014 study? We have learned from this experience that it may be that the 2014 results should now themselves be considered questionable, given the possibility that the same approach was used by Mercer. We know from the 2014 report that PUC was used, but we can only guess at the rule that was used for converting present values of benefits into measures of compensation. Current experience provides a clear illustration of the need to provide Senate faculty with unrestricted access to consultants' modeling and especially to the detailed individual results, something that was denied in 2014. The documentation for 2014's study was lengthy but still not sufficient to resolve uncertainty about how Mercer implemented the PUC method. In the current effort, the Senate members of TRAC became aware of the flaws in Deloitte's approach because Deloitte showed some preliminary results using individual data, in which there were no negative values for the change in the expected present value of the retiree-health benefit. Any individual who is fully eligible for this benefit, but delays retiring, loses a portion of the expected present value each year, so this component of total remuneration should be negative. Similar evidence in 2014 would have brought the same criticisms.

If the 2014 study did use the same implementation of PUC as Deloitte proposes, it does not follow that Deloitte's approach is more comparable to older studies. It would mean that the older studies are also biased, and it would be a leap of faith to assume that the bias is not present when the differences in results are calculated.

The most significant change from 2014 is surely the imposition of the PEPRA cap.[1] TFIR and the Senate members of TRAC have suggested a much more straightforward way to analyze the specific effects of the cap, by repeating calculations for individuals in the 2016 tier without the cap or supplemental defined-contribution plans. The difference in retirement benefits and total remuneration represents the effects of moving from the provisions of the 2013 tier to imposing the PEPRA cap and seeking to restore benefits using supplemental DC plans. This method avoids confounding all of the other changes in methodology, benefits, and population studied that complicate longitudinal analysis. This is not, after all, a nicely designed panel study in which the same individuals are studied through time. With over a decade separating the two studies, and uncertain methodologies, it's anyone's guess how to attribute results to various influences not held constant over time.

Hence, TFIR's conclusion remains that the Deloitte method is flawed to the point of being unnecessary, and the desire for longitudinal perspective does not justify its continuation. It is a leap of faith to imagine that the difference in results from two biased studies somehow is not plagued by the same bias.

The Total Remuneration Study in Context

A closing comment is worth emphasizing. For several years, TFIR has called attention to the need to study a full picture of the financial well-being of newly hired faculty and staff, in light of the PEPRA

[1] Public Employees Pension Reform Act. The 2016 tier was created after the state enacted this legislation, though UC is not formally covered by the Act. The most significant effect was to impose the "PEPRA cap" on the amount of salary that can be used in the calculation of pension benefits.

cap and, at least for faculty in some disciplines, relatively older average ages at hire. We are concerned that the capped pension benefit combined with the high cost of living in California and the need to begin voluntary saving for supplementing retirement, buying a house, and possibly saving for college makes a career at UC less sustainable financially and less desirable than was once the case. A benefits plan that was designed with an entire career in mind, for the 1976 tier, seems much less likely to successfully recruit and retain employees and provide for a secure retirement when it falls under the provisions of the 2016 tier. TFIR considers it a critical need for this study to accurately represent the incentive structures that individual employees face. A total renumeration study is not worth the effort if this is not a guiding principle. It is the only way to generate reliable data regarding the situation of the individuals in the study. Representing total remuneration accurately, at the individual level, is part of the ongoing need for a long-overdue, comprehensive vision and understanding of UC employment for all employees.