



OFFICE OF THE EXECUTIVE VICE PRESIDENT—
CHIEF FINANCIAL OFFICER

OFFICE OF THE PRESIDENT
1111 Franklin Street, 10th Floor
Oakland, California 94607-5200

April 28, 2016

To: Vice Chancellors of Administration
Workers' Compensation Managers

Subject: FY 2016-17 Workers' Compensation Accrual Rates

Dear Colleagues,

The Workers' Compensation Actuarial Report is now complete for FY 2016/2017. Please find the attached FY 2016/2017 Workers' Compensation Accrual & Funding Exhibit and Status History Exhibit.

As you will see, the overall combined system rate increased 4.5% from \$1.17 to \$1.22. For a second consecutive year causes of our rate increase can be attributed to a continuing increase in our payroll and associated liability, expenses for our Lab Safety Project (in the second year of a three year amortization for rate relief), and unexpected loss development.

Although a rate increase is not desirable, we must recognize that our current rate is 19% lower than it was a decade ago in FY05/06. Furthermore, when we compare our workers' compensation rates over the last ten years to comparable Workers' Compensation Insurance Rating Bureau (WCIRB) rates, our rates have been approximately 52% less than the WCIRB rates. As a result, our Actuary has estimated that this difference in rates has translated to savings of almost \$1.1 billion over this time period. I have included our Actuary's analysis for your review.

You will also see that the overall health of our program has slipped into a slight deficit of approximately (-\$1.0 million). Our campuses deficit has increased 36% while our medical centers surplus has increased 18%. Per program guidelines, due to the current status of our program rebates will not be returned this year as any return at this time would only increase our overall program deficit.

Volatility in both our rates and program status, especially the differences between our campuses and medical centers statuses, remains a concern. Although changes in our rates and status will inevitably change from year to year, our goal is to minimize those changes so that year to year budgeting is more predictable and consistent. To that end, in consultation with our Actuary we have begun the process of evaluating our current funding model along with alternative funding strategies with the intent of developing a revised funding model that will reduce our volatility. Our objective is to move away from our current individual "banking" model to more of a traditional insurance model that allows us to take

advantage of our overall size and strength as a system versus individual locations. A key component of achieving this goal and one we did not have access to until recently, is the use of Fiat Lux, our Captive Insurance Company, and developing a program that more effectively leverages the abilities that Fiat Lux now affords us.

Your individual final location report will be sent to your workers' compensation manager under separate cover.

If you have any questions, please do not hesitate to contact me or Karen Vecchi 510-987-9826. If you would like a copy of the full Actuary report, please contact Kenny Lim at Kenny.Lim@ucop.edu or 510-987-9591.

Regards,



Kevin Confetti

Deputy Chief Risk Officer

Risk Services website: <http://www.ucop.edu/risk-services/>

cc: Executive Vice President-CFO Brostrom
Associate Vice President Lloyd
Associate Vice President Arrivas
Associate Vice President Obley
Budget Directors
Planning & Budget Officers
Director Satorre
Environment Health & Safety Directors
Accounting Managers
Payroll Managers
Manager Barrett
Accounting Supervisor Wildeman
Program Manager DeBortoli
Risk Manager Vecchi

**UNIVERSITY OF CALIFORNIA
WORKERS' COMPENSATION SELF-INSURANCE PROGRAM
2016/17 Rates**

LOCATION	2016/17 Funding Assessment	Accrual Funding ⁽¹⁾ All Fund Sources		Be Smart About Safety ⁽²⁾ All Fund Sources			Total Projected Assessment	Add'l Safety Funds or Deficit Funding ⁽³⁾ All Fund Sources		2016/17 Expense Accrual
		Rate/\$100 of Payroll	Assessment \$	Rate/\$100 of Payroll	Assessment \$	Total Rate		Rate/\$100 of Payroll	Assessment \$	
Berkeley	18,427,000	1.35	16,808,000	0.13	1,619,000	1.48	18,427,000	0.21	2,623,000	21,050,000
ANR-Berkeley	129,000	1.35	118,000	0.13	11,000	1.48	129,000	0.21	18,000	147,000
Davis	13,524,000	0.97	12,376,000	0.09	1,148,000	1.06	13,524,000	0.11	1,409,000	14,933,000
ANR-Davis	797,000	0.97	729,000	0.09	68,000	1.06	797,000	0.11	83,000	880,000
Davis MC	8,379,000	0.89	7,383,000	0.12	996,000	1.01	8,379,000	0.00	-	8,379,000
Irvine	5,820,000	0.54	4,631,000	0.07	600,000	0.61	5,231,000	0.00	-	5,231,000
Irvine MC	4,387,000	1.64 ⁽⁴⁾	6,569,000	0.18	721,000	1.82	7,290,000	0.00	-	7,290,000
Los Angeles	27,819,000	1.10	25,500,000	0.10	2,319,000	1.20	27,819,000	flat	1,331,286	29,150,286
Los Angeles MC	22,923,000	2.34	21,542,000	0.15	1,381,000	2.49	22,923,000	0.04	366,000	23,289,000
Los Angeles NPH	525,000	1.08	405,000	0.32	120,000	1.40	525,000	0.00	-	525,000
Merced	1,347,000	1.13	1,324,000	0.10	117,000	1.23	1,441,000	0.10	117,000	1,558,000
Riverside	3,870,000	0.93	3,428,000	0.12	442,000	1.05	3,870,000	0.29	1,064,000	4,934,000
ANR-Riverside	78,000	0.93	69,000	0.12	9,000	1.05	78,000	0.29	21,000	99,000
San Diego Campus	12,477,000	0.80	11,473,000	0.07	1,004,000	0.87	12,477,000	0.08	1,097,000	13,574,000
San Diego MC	10,581,000	1.73	9,584,000	0.18	997,000	1.91	10,581,000	0.00	-	10,581,000
San Francisco Campus	11,420,000	0.73	10,421,000	0.07	999,000	0.80	11,420,000	0.01	29,000	11,449,000
San Francisco MC	17,920,000	1.58	16,087,000	0.18	1,833,000	1.76	17,920,000	0.00	-	17,920,000
San Francisco LPPI	242,000	1.38	201,000	0.28	41,000	1.66	242,000	0.00	-	242,000
Santa Barbara	6,363,000	1.27	5,856,000	0.11	507,000	1.38	6,363,000	0.00	-	6,363,000
Santa Cruz	3,977,000	1.06	3,484,000	0.15	493,000	1.21	3,977,000	0.00	-	3,977,000
Office of the President	1,074,000	0.47	918,000	0.08	156,000	0.55	1,074,000	0.07	128,000	1,202,000
ANR-OP	18,000	0.47	15,000	0.08	3,000	0.55	18,000	0.07	2,000	20,000
Lawrence Berkeley Lab	1,613,000	0.45	1,613,000	0.00	-	0.45	1,613,000	0.00	-	1,613,000
TOTAL	173,710,000		160,534,000		15,584,000		176,118,000		8,288,286	184,406,286

(1) Record as Workers' Compensation expense with object code 8500.

(2) Separate assessment for the "Be Smart About Safety" Program. To be classified as a fund balance transfer to UCOP as outlined in the "Be Smart About Safety" document (excludes labs).

(3) Refer to Workers' Compensation Program Funding Guidelines (http://www.ucop.edu/risk-services/_files/bsas/besmartaboutsafety.pdf)

(4) UCI Medical Center is utilizing an accrual rate of \$1.41

UNIVERSITY OF CALIFORNIA
WORKERS' COMPENSATION SELF-INSURANCE PROGRAM
PROGRAM STATUS HISTORY
(in thousands 000's)

<u>LOCATION</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Berkeley	(5,462)	(3,156)	6,175	13,143	11,412	12,103	14,883	13,771	8,006	2,635	(470)	(6,724)	(15,848)
Davis	(770)	(196)	2,379	6,662	7,085	5,048	4,876	4,022	5,046	(4,690)	(6,067)	(7,548)	(5,969)
Davis MC	(10,544)	2,900	18,358	13,748	16,265	14,022	14,722	10,925	5,153	3,989	5,283	6,934	3,690
Irvine	(3,927)	(2,559)	394	339	1,779	3,023	2,937	3,726	1,813	1,386	(134)	165	474
Irvine MC	(3,440)	(2,224)	1,103	3,824	5,152	5,715	3,584	955	4,366	8,368	8,822	15,428	21,704
Los Angeles	(31,130)	(33,453)	(27,251)	(22,394)	(19,207)	(16,951)	(18,638)	(13,837)	(11,668)	(8,913)	(8,784)	(10,960)	(16,375)
Los Angeles MC	(21,221)	(20,333)	(11,280)	(6,350)	(3,528)	(4,628)	(3,105)	(798)	7,958	7,922	5,236	(890)	(2,196)
Los Angeles NPH	(701)	(990)	(274)	(502)	(202)	136	553	1,336	1,427	1,329	546	1,285	602
Merced	-	-	-	15	438	554	170	(155)	(430)	(500)	(817)	(1,151)	(1,380)
Riverside	(6,570)	(6,335)	(4,341)	(1,828)	649	2,239	3,573	1,510	1,023	1,294	(1,153)	(519)	(5,427)
San Diego Campus	(5,359)	(5,871)	(2,144)	6,030	8,010	8,272	4,358	733	814	667	(935)	(7,367)	(5,485)
San Diego MC	(1,245)	4,221	12,647	14,778	16,639	13,537	11,273	8,750	7,933	6,161	4,715	5,863	9,951
San Francisco Campus	(4,220)	(4,638)	(4,013)	(2,786)	(2,969)	2,245	3,662	3,016	6,503	1,215	(820)	(1,338)	(144)
San Francisco MC	(6,952)	(7,763)	(1,730)	12,894	12,951	10,949	14,165	17,065	18,937	14,443	7,736	5,344	5,727
San Francisco LPPI	(1,766)	(2,254)	(1,406)	(1,400)	(3,189)	(2,523)	(1,864)	(940)	(145)	844	1,223	1,463	1,802
Santa Barbara	(11,318)	(9,247)	(5,163)	(6,587)	(4,354)	(3,481)	(2,662)	(2,586)	(4,632)	(3,872)	(2,781)	(874)	463
Santa Cruz	(3,748)	(3,248)	(2,917)	(1,878)	1,003	3,417	5,267	4,531	4,328	2,337	132	280	1,405
Office of the President	(1,360)	(1,065)	(98)	717	889	1,102	922	345	(497)	(541)	(358)	(309)	(390)
Lawrence Berkeley Lab	(2,586)	(3,220)	97	2,301	2,368	1,974	4,045	3,826	5,366	6,593	7,302	6,252	6,416
Lawrence Livermore Lab	2,500	(276)	3,850	5,300	5,670	815	-	-	-	-	-	-	-
TOTAL	<u>(119,819)</u>	<u>(99,707)</u>	<u>(15,614)</u>	<u>36,026</u>	<u>56,861</u>	<u>57,568</u>	<u>62,721</u>	<u>56,195</u>	<u>61,301</u>	<u>40,667</u>	<u>18,676</u>	<u>5,334</u>	<u>(980)</u>

UNIVERSITY OF CALIFORNIA
 WORKERS COMPENSATION
 SELF-INSURANCE PROGRAM
 RATE HISTORY

	12/13			13/14			14/15			15/16			16/17		
	Accrual Rate	Be Smart About Safety	Deficit Surchg.	Accrual Rate	Be Smart About Safety	Deficit Surchg.	Accrual Rate	Be Smart About Safety	Deficit Surchg.	Accrual Rate	Be Smart About Safety	Deficit Surchg.	Accrual Rate	Be Smart About Safety	Deficit Surchg.
Berkeley Campus	0.73	0.16	0.00	0.80	0.15	0.00	1.04	0.14	0.01	1.24	0.13	0.09	1.35	0.13	0.25
Davis Campus	0.51	0.11	0.00	0.57	0.10	0.06	0.83	0.10	0.08	0.94	0.09	0.12	0.97	0.09	0.11
Davis Medical Center	0.84	0.17	0.00	0.80	0.14	0.00	0.85	0.14	0.00	0.85	0.13	0.00	0.89	0.12	0.00
Irvine Campus	0.33	0.08	0.00	0.33	0.07	0.00	0.40	0.07	0.00	0.50	0.07	0.00	0.54	0.07	0.00
Irvine Hospital	2.22	0.23	0.00	1.99	0.19	0.00	2.10	0.18	0.00	1.66	0.18	0.00	1.64	0.18	0.00
Los Angeles Campus	0.83	0.12	flat	0.77	0.11	flat	0.86	0.11	flat	1.01	0.10	flat	1.10	0.10	flat
Los Angeles Hospital	1.91	0.21	0.00	1.75	0.18	0.00	1.88	0.17	0.00	2.22	0.17	0.02	2.34	0.15	0.04
Los Angeles NPH	1.51	0.40	0.00	0.81	0.35	0.00	0.88	0.35	0.00	0.95	0.34	0.00	1.08	0.32	0.00
Merced Campus	0.50	0.04	0.09	0.61	0.03	0.10	0.84	0.03	0.10	1.03	0.11	0.10	1.13	0.10	0.10
Riverside Campus	0.61	0.15	0.00	0.61	0.14	0.00	0.70	0.14	0.05	0.86	0.13	0.03	0.93	0.12	0.29
San Diego Campus	0.57	0.09	0.00	0.53	0.08	0.00	0.71	0.08	0.01	0.77	0.08	0.09	0.80	0.07	0.08
San Diego Hospital	1.57	0.23	0.00	1.49	0.21	0.00	1.59	0.21	0.00	1.69	0.20	0.00	1.73	0.18	0.00
San Francisco Campus	0.49	0.09	0.00	0.48	0.08	0.00	0.60	0.08	0.01	0.67	0.08	0.02	0.73	0.07	0.01
San Francisco Hospital	1.46	0.25	0.00	1.27	0.22	0.00	1.36	0.22	0.00	1.44	0.22	0.00	1.58	0.18	0.00
San Francisco LPPI	1.20	0.14	0.24	1.38	0.13	0.00	1.45	0.15	0.00	1.40	0.18	0.00	1.38	0.28	0.00
Santa Barbara Campus	0.73	0.13	0.24	0.91	0.12	0.23	1.03	0.12	0.22	1.17	0.11	0.10	1.27	0.11	0.00
Santa Cruz Campus	0.84	0.18	0.00	0.80	0.17	0.00	0.87	0.17	0.00	1.01	0.16	0.00	1.06	0.15	0.00
Office of the President	0.43	0.11	0.16	0.49	0.09	0.05	0.52	0.09	0.04	0.47	0.08	0.04	0.47	0.08	0.07
LBL ⁽¹⁾	0.58	0.00	0.00	0.42	0.00	0.00	0.45	0.00	0.00	0.45	0.00	0.00	0.45	0.00	0.00
Campus Composite Rate	0.62	0.11		0.63	0.10		0.78	0.10		0.90	0.10		0.96	0.09	
Lab Composite Rate	0.58	0.00		0.42	0.00		0.53	0.00		0.63	0.00		0.45	0.00	
Hospital Composite Rate	1.53	0.22		1.39	0.19		1.51	0.18		1.63	0.18		1.64	0.16	
Combined Composite Rate	0.85	0.14		0.82	0.12		0.96	0.12		1.08	0.12		1.13	0.11	
Composite Accrual+BSAS Rate		0.99			0.94			1.08			1.20			1.24	

(1) Rates effective Oct. 1st at lab's option.