

UNIVERSITY OF CALIFORNIA

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SANTA BARBARA • SANTA CRUZ

OFFICE OF THE EXECUTIVE VICE PRESIDENT—
CHIEF FINANCIAL OFFICER

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

May 9, 2014

To: Vice Chancellors of Administration
Workers' Compensation Managers

Subject: FY 2014-15 Workers' Compensation Accrual Rates

Dear Colleagues,

The Workers' Compensation Actuarial Report is now complete for FY 2014/2015. Please find the attached FY 2014/2015 Workers' Compensation Accrual & Funding Exhibit, Rate History Exhibit, and Status History Exhibit. Your individual final location report will be sent to your workers' compensation manager under separate cover.

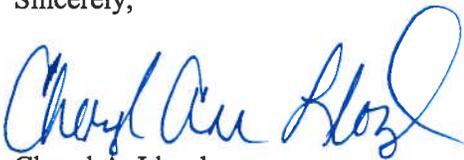
As you will see, our overall combined system rate increased 14% from \$0.94 to \$1.08. This is our first system increase since FY04/05 when our rate increased to \$1.65. Although our system rate is increasing, our FY14/15 rate is 35% lower than it was in FY04/05. While we must acknowledge that our workers' compensation performance over the last several years has exceeded expectations, we must also acknowledge that we are not immune to the increase in costs that currently plague the California workers' compensation system. For reference, the California Workers' Compensation Insurance Rating Bureau increased the 2014 Pure Premium Rate by 9.5% to \$2.75. As a result, my office has already begun a comprehensive review of all systemwide programs, processes, and procedures to identify new and greater cost saving opportunities.

You will also see that although the overall health of our program remains positive and in a surplus status, our campuses, with the exception of one, have fallen into varying degrees of deficit (deficit rates have been calculated based on program guidelines and are included in the funding exhibit). This is in contrast to last fiscal year where half of our campuses were in a surplus status. This "swing" in our program is attributed to unexpected loss development and the structure of our Rebate program. It has been determined that our current Rebate program is overly generous in its rate of return thereby not allowing for sufficient time to elapse to properly account for unexpected loss development. Therefore, in consultation with our actuary we are completing a thorough review of our workers' compensation funding model. The goal of this review is to ensure that our funding model is the most effective form to properly account for liability, determine rates, determine program status, and provide proper returns while ensuring the fiscal stability of our program and reducing substantial year to year fluctuations.

As I said earlier, California workers' compensation costs are on the rise. Most recent Legislative changes provided employee benefit increases with the promise of cost neutrality from savings gained through administrative efficiencies. Unfortunately, the administrative efficiencies have yet to produce the desired costs savings and the resulting increase in costs has no immediate end in sight. Therefore, in the coming months and years we will be challenged with creating new and innovative ways to oppose this trend and look forward to working with you to meet that challenge.

If you have any questions, please do not hesitate to call me, Kevin Confetti 510-987-9868, or Karen Vecchi 510-987-9826. If you would like a copy of the full report, please contact Kenny Lim at kenny.lim@ucop.edu or 510-987-9591.

Sincerely,



Cheryl A. Lloyd
Interim Chief Risk Officer

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

cc: Executive Vice President Brostrom
Vice President Lenz
Assistant Vice President Sampson
Associate Vice President Arrivas
Budget Directors
Planning & Budget Officers
Environment Health & Safety Directors
Accounting Managers
Payroll Managers
Accounting Supervisor Wildeman
Manager Barrett
Director Confetti
Director Young
Risk Manager Vecchi
Program Manager DeBortoli

**UNIVERSITY OF CALIFORNIA
WORKERS' COMPENSATION SELF-INSURANCE PROGRAM
2014/15 Rates**

LOCATION	2014/15 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		2014/15 Expense Accrual	
		Rate/\$100 of Payroll	Assessment \$	Rate/\$100 of Payroll	Assessment \$		Rate/\$100 of Payroll	Assessment \$		
Berkeley	13,186,000	1.04	11,622,000	0.14	1,564,000	1.18	13,186,000	0.01	63,000	13,249,000
ANR-Berkeley	83,000	1.04	73,000	0.14	10,000	1.18	83,000	0.01	4,000	87,000
Davis	10,732,000	0.83	9,578,000	0.10	1,154,000	0.93	10,732,000	0.08	954,000	11,686,000
ANR-Davis	636,000	0.83	568,000	0.10	68,000	0.93	636,000	0.08	57,000	693,000
Davis MC	7,169,000	0.85	6,155,000	0.14	1,014,000	0.99	7,169,000	0.00	-	7,169,000
Irvine	3,518,000	0.40	2,994,000	0.07	524,000	0.47	3,518,000	0.00	-	3,518,000
Irvine MC	8,237,000	2.10	7,587,000	0.18	650,000	2.28	8,237,000	0.00	-	8,237,000
Los Angeles	19,510,000	0.86	17,298,000	0.11	2,212,000	0.97	19,510,000	flat	1,331,286	20,841,286
Los Angeles MC	16,794,000	1.88	15,398,000	0.17	1,396,000	2.05	16,794,000	0.00	-	16,794,000
Los Angeles NPH	426,000	0.88	305,000	0.35	121,000	1.23	426,000	0.00	-	426,000
Merced	791,000	0.84	764,000	0.03	27,000	0.87	791,000	0.18	163,000	954,000
Riverside	2,669,000	0.70	2,225,000	0.14	444,000	0.84	2,669,000	0.05	162,000	2,831,000
ANR-Riverside	43,000	0.70	35,000	0.14	8,000	0.84	43,000	0.05	3,000	46,000
San Diego Campus	10,199,000	0.71	9,166,000	0.08	1,033,000	0.79	10,199,000	0.01	134,000	10,333,000
San Diego MC	8,615,000	1.59	7,611,000	0.21	1,004,000	1.80	8,615,000	0.00	-	8,615,000
San Francisco Campus	8,830,000	0.60	7,791,000	0.08	1,039,000	0.68	8,830,000	0.01	117,000	8,947,000
San Francisco MC	13,286,000	1.36	11,435,000	0.22	1,851,000	1.58	13,286,000	0.00	-	13,286,000
San Francisco LPPI	442,000	1.45	401,000	0.15	41,000	1.60	442,000	0.00	-	442,000
Santa Barbara	4,792,000	1.03	4,292,000	0.12	500,000	1.15	4,792,000	0.22	927,000	5,719,000
Santa Cruz	3,052,000	0.87	2,553,000	0.17	499,000	1.04	3,052,000	0.00	-	3,052,000
Office of the President	1,068,000	0.52	911,000	0.09	157,000	0.61	1,068,000	0.04	71,000	1,139,000
ANR-OP	17,000	0.52	14,000	0.09	3,000	0.61	17,000	0.04	1,000	18,000
Lawrence Berkeley Lab	1,597,000	0.45	1,597,000	0.00	-	0.45	1,597,000	0.00	-	1,597,000
TOTAL	135,692,000		120,373,000		15,319,000		135,692,000		3,987,286	139,679,286

⁽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>)

UNIVERSITY OF CALIFORNIA
 WORKERS' COMPENSATION
 SELF-INSURANCE PROGRAM
 RATE HISTORY

	10/11			11/12			12/13			13/14			14/15		
	Accrual Rate	Be Smart About Safety	Deficit Surchg.												
Berkeley Campus	0.68	0.16	0.00	0.61	0.17	0.00	0.73	0.16	0.00	0.80	0.15	0.00	1.04	0.14	0.01
Davis Campus	0.55	0.11	0.00	0.56	0.11	0.00	0.51	0.11	0.00	0.57	0.10	0.06	0.83	0.10	0.08
Davis Medical Center	0.91	0.20	0.00	0.84	0.18	0.00	0.84	0.17	0.00	0.80	0.14	0.00	0.85	0.14	0.00
Irvine Campus	0.38	0.08	0.00	0.34	0.09	0.00	0.33	0.08	0.00	0.33	0.07	0.00	0.40	0.07	0.00
Irvine Hospital	2.17	0.27	0.00	2.16	0.24	0.00	2.22	0.23	0.00	1.99	0.19	0.00	2.10	0.18	0.00
Los Angeles Campus	0.96	0.13	flat	0.88	0.14	flat	0.83	0.12	flat	0.77	0.11	flat	0.86	0.11	flat
Los Angeles Hospital	2.29	0.25	0.14	2.16	0.23	0.05	1.91	0.21	0.00	1.75	0.18	0.00	1.88	0.17	0.00
Los Angeles NPH	3.11	0.47	0.00	1.95	0.42	0.00	1.51	0.40	0.00	0.81	0.35	0.00	0.88	0.35	0.00
Merced Campus	0.27	0.04	0.00	0.35	0.04	0.05	0.50	0.04	0.09	0.61	0.03	0.10	0.84	0.03	0.18
Riverside Campus	0.57	0.16	0.00	0.59	0.16	0.00	0.61	0.15	0.00	0.61	0.14	0.00	0.70	0.14	0.05
San Diego Campus	0.48	0.10	0.00	0.52	0.10	0.00	0.57	0.09	0.00	0.53	0.08	0.00	0.71	0.08	0.01
San Diego Hospital	1.71	0.30	0.00	1.76	0.29	0.00	1.57	0.23	0.00	1.49	0.21	0.00	1.59	0.21	0.00
San Francisco Campus	0.57	0.10	0.00	0.57	0.10	0.00	0.49	0.09	0.00	0.48	0.08	0.00	0.60	0.08	0.01
San Francisco Hospital	2.28	0.30	0.00	1.96	0.27	0.00	1.46	0.25	0.00	1.27	0.22	0.00	1.36	0.22	0.00
San Francisco LPPI	1.51	0.15	1.61	1.61	0.14	1.04	1.20	0.14	0.24	1.38	0.13	0.00	1.45	0.15	0.00
Santa Barbara Campus	0.77	0.13	0.18	0.75	0.14	0.24	0.73	0.13	0.24	0.91	0.12	0.23	1.03	0.12	0.22
Santa Cruz Campus	0.85	0.17	0.00	0.83	0.19	0.00	0.84	0.18	0.00	0.80	0.17	0.00	0.87	0.17	0.00
Office of the President	0.44	0.10	0.00	0.38	0.12	0.00	0.43	0.11	0.16	0.49	0.09	0.05	0.52	0.09	0.04
LBL ⁽¹⁾	0.65	0.00	0.00	0.67	0.00	0.00	0.58	0.00	0.00	0.42	0.00	0.00	0.45	0.00	0.00
LLNL ⁽¹⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Campus Composite Rate	0.65	0.12		0.63	0.12		0.62	0.11		0.63	0.10		0.78	0.10	
Lab Composite Rate	0.65	0.00		0.67	0.00		0.58	0.00		0.42	0.00		0.53	0.00	
Hospital Composite Rate	1.87	0.26		1.76	0.24		1.53	0.22		1.39	0.19		1.51	0.18	
Combined Composite Rate	0.93	0.15		0.91	0.15		0.85	0.14		0.82	0.12		0.96	0.12	
Composite Accrual+BSAS Rate		1.08			1.06			0.99			0.94			1.08	

(1) Rates effective Oct. 1st
 at labs option.

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

<u>LOCATION</u>	<u>2001</u>	<u>2002</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>
Berkeley	2,793	581	(5,462)	(3,156)	6,175	13,143	11,412	12,103	14,883	13,771	8,006	2,635	(470)
Davis	952	600	(770)	(196)	2,379	6,662	7,085	5,048	4,876	4,022	5,046	(4,690)	(6,067)
Davis MC	(14,545)	(19,655)	(10,544)	2,900	18,358	13,748	16,265	14,022	14,722	10,925	5,153	3,989	5,283
Irvine	(3,370)	(3,209)	(3,927)	(2,559)	394	339	1,779	3,023	2,937	3,726	1,813	1,386	(134)
Irvine MC	(1,781)	(2,733)	(3,440)	(2,224)	1,103	3,824	5,152	5,715	3,584	955	4,366	8,368	8,822
Los Angeles	(5,848)	(15,836)	(31,130)	(33,453)	(27,251)	(22,394)	(19,207)	(16,951)	(18,638)	(13,837)	(11,668)	(8,913)	(8,784)
Los Angeles MC	(11,321)	(15,534)	(21,221)	(20,333)	(11,280)	(6,350)	(3,528)	(4,628)	(3,105)	(798)	7,958	7,922	5,236
Los Angeles NPH	(333)	(537)	(701)	(990)	(274)	(502)	(202)	136	553	1,336	1,427	1,329	546
Merced	-	-	-	-	-	15	438	554	170	(155)	(430)	(500)	(817)
Riverside	(2,143)	(3,625)	(6,570)	(6,335)	(4,341)	(1,828)	649	2,239	3,573	1,510	1,023	1,294	(1,153)
San Diego Campus	3,869	1,498	(5,359)	(5,871)	(2,144)	6,030	8,010	8,272	4,358	733	814	667	(935)
San Diego MC	(3,478)	(2,985)	(1,245)	4,221	12,647	14,778	16,639	13,537	11,273	8,750	7,933	6,161	4,715
San Francisco Campus	(4,009)	(4,756)	(4,220)	(4,638)	(4,013)	(2,786)	(2,969)	2,245	3,662	3,016	6,503	1,215	(820)
San Francisco MC	(182)	(5,153)	(6,952)	(7,763)	(1,730)	12,894	12,951	10,949	14,165	17,065	18,937	14,443	7,736
San Francisco LPPI	(1,586)	(1,759)	(1,766)	(2,254)	(1,406)	(1,400)	(3,189)	(2,523)	(1,864)	(940)	(145)	844	1,223
Santa Barbara	(8,156)	(10,329)	(11,318)	(9,247)	(5,163)	(6,587)	(4,354)	(3,481)	(2,662)	(2,586)	(4,632)	(3,872)	(2,781)
Santa Cruz	(748)	(996)	(3,748)	(3,248)	(2,917)	(1,878)	1,003	3,417	5,267	4,531	4,328	2,337	132
Office of the President	600	(525)	(1,360)	(1,065)	(98)	717	889	1,102	922	345	(497)	(541)	(358)
Lawrence Berkeley Lab	365	(2,077)	(2,586)	(3,220)	97	2,301	2,368	1,974	4,045	3,826	5,366	6,593	7,302
Lawrence Livermore Lab	5,439	5,359	2,500	(276)	3,850	5,300	5,670	815	-	-	-	-	-
TOTAL	(43,482)	(81,671)	(119,819)	(99,707)	(15,614)	36,026	56,861	57,568	62,721	56,195	61,301	40,667	18,676