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*Assembly of the Academic Senate, Academic Council*  
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August 21, 2003

**JOSEPH P. MULLINIX, SENIOR VICE PRESIDENT  
BUSINESS AND FINANCE**

***Re: UC Health Sciences Task Force Report Recommendations for Improving  
Retirement Benefits for UC Health Sciences Faculty***

Dear Joe:

This letter responds to your February 25, 2003 request for the Senate's review of the recommendations by the UC Health Sciences Task Force for improving retirement benefits for their faculty. Because of the technical nature of the report and the proposed options contained therein, the Academic Council referred this matter to the University Committee on Faculty Welfare (UCFW) and its subcommittee, the Task Force on Investment and Retirement (TFIR), for analysis and a recommended course of action. Several other systemwide committees also reviewed the proposal (UCPB, UCEP and UCAP) and offered important insights. Due largely to the able leadership of the UCFW Chair, Mark Traugott, and the TFIR Chair, Robert Anderson, I herein report that the Academic Council reached a consensus on this issue at its July meeting and approved the following motion, as offered by the UCFW Chair, on a vote of 16 to 1:

**The Academic Council recommends that the current system of defined benefit coverage for health sciences retirement be retained,\* and that this be supplemented by defined contribution coverage (to be paid by the funding source and initially set at the 7% level) for all salary not subject to defined benefit coverage. The existing APU structure would also be retained.**

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\*Each Academic Program Unit (APU) chooses a multiple between 1.0 and 1.9 times base salary. This multiple is the X compensation covered for the purposes of the UCRP Defined Benefit pension for each member of the APU. All of the current rules regarding this choice would remain in effect. APUs that choose multiples up to and including 1.3 will not be required to make reserve fund or UCRS contributions for the time being. APUs that choose multiples above 1.3 will pay these contributions, calculated at the normal cost percentage,

on all X compensation above 1.3 times base salary, effective when and if the current moratorium on reserve fund contributions expires June 30, 2004. If future UCRP contributions are required, employer and/or employee contributions shall be made on all HSCP covered compensation up to and including 1.3 X base at the rate set for the compensation of all employees. The current assumption is that contributions on covered compensation above 1.3 X base would be at the normal cost or the rate set for all employees, whichever is higher.

The conversations at the Academic Council were enhanced by the significant representation of faculty in the Health Sciences. Indeed, one-third of the voting members of Council this year are physicians (thus covered by HSCP) and another a veterinarian, all very knowledgeable about the HSCP retirement coverage and the interests of the faculty affected by it. Other members of the Council had invested much time and energy in coming up-to-speed on some of the intricate and complex features of the UC retirement program. UCFW, more specifically, was aided in its reviews by its two members (Robert Anderson and Dan Mitchell) who are members of the UCRP Board and Ross Starr, the Vice Chair of UCFW, who is also as member of their Task Force on Investment and Retirement, and an economist with related interests and expertise. Thus, I do not believe that the Council and its committees were in any way hampered by an inability to sort through the issues. And, while we reached a strong consensus (as per the vote of 16 to 1) on what we *could* recommend, there were understandable differences among us with respect to recommendations in the Task Force report (**Recommendations for Improving Retirement Benefits for UC Health Sciences Faculty**) on which we were asked for comment.

*As a group* the Council was unable to support any of the “options” in the Task Force report. While the above-referenced recommendation of the Council supports continuing the HSCP coverage up to 1.3 X base (without additional reserve fund contributions until contributions to UCRP restart) there were serious concerns about further use of the corpus of the retirement fund to increase defined benefit coverage for income on which no contributions had ever been made. It is fair to say that for some faculty this cost (even if “manageable”) represented an inappropriate transfer of assets from one group to another and for others concerns about the long term health of the retirement program, and whether such costs might lead to not only an earlier restart of contributions to the program, but also to a reduction in benefits over the coming years, were uppermost. In contrast, and understandably, some of the health sciences faculty were concerned that the attractiveness of the retirement program affects their ability to recruit and retain top quality faculty. They also cited the inequity that is evident in a comparison of their own defined benefit retirement coverage (in terms of percentage of total UC-generated income) with that of law or business faculty, where higher salary scales and “off scale” increments enhance covered compensation.

While cost issues raise perhaps only some disagreements as to how much expense is legitimate, discussions of “equity” are far more complex and divisive. Arguments on behalf of the Options set forth in the Task Force report were grounded in a particular and not unreasonable view of what is equitable vis-à-vis other professional school faculties but countervailing comparisons were also brought forth. While it is no doubt true that for health sciences faculty in the most highly compensated fields, retirement coverages currently available to APUs of up to 1.9 X base with no additional reserve fund contributions, (currently through June 2004) still fall short of covering significant percentages of their incomes, this is not necessarily the case in most APUs where the inability to compensate all

members of the unit at 1.3 X base has made even “free” additional retirement coverage unavailable. Thus, equity issues exist even within the health sciences. Other equity issues that concerned members of the Council, and its committees which reviewed the recommended Task Force options, centered on comparisons with the covered compensation for the vast majority of faculty who, unlike the health sciences faculty are on 9-month, not fiscal year, appointments. For many of our colleagues who regularly earn three summer-ninths, this additional one-third of their income is not covered by defined benefit, and in contrast with the health sciences APUs, have no means by which to generate such coverage. Although the preponderance of the cost and equity considerations ultimately directed the Council’s conclusions on the matter, and the decision to recommend a DCP plan that would mirror the summer stipend coverage that has been in effect for several years for other faculty, we were not unmindful of the concerns and wishes of our health sciences colleagues.

At the conclusion of the vote, several members of the Academic Council who are members of the health sciences faculty asked that this recommendation be revisited when there is greater security in the UC retirement system. Given that this recommendation falls short of what many in the health sciences faculty had hoped for, the Academic Council encourages the Administration to continue to seek alternative options, which the health sciences faculty may find more satisfactory. Any such options should not require the University to tap into UCRP assets or to take on a future liability on income for which no past contributions were made.

Thank you for giving the Senate an opportunity to review and comment on this important issue.

Sincerely,

Gayle Binion, Chair  
Academic Council

Copy: Academic Council  
Julius Zelmanowitz, Interim Provost & Senior Vice President  
Ellen Switkes, Assistant Vice President