

UNIVERSITY OF CALIFORNIA, ACADEMIC SENATE

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*Chair of the Assembly and the Academic Council
Faculty Representative to the Board of Regents
University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200*

October 29, 2010

MARK YUDOF, PRESIDENT
UNIVERSITY OF CALIFORNIA

RE: Academic Council Resolution Regarding the Report of the Post Employment Benefits Task Force

Dear Mark:

I attach a resolution adopted by the Academic Council at its meeting on October 27, 2010, commenting on the recommendations of the Post Employment Benefits Task Force. Although the Council is aware of your recommendation supporting a modified Option C, it constructed its resolution to memorialize its opinion of the Task Force recommendations following the extensive review of the Task Force options conducted on each of the campuses and by the standing committees of the Senate. I will transmit the comments received in November. I anticipate that the Council also will adopt a formal resolution regarding your recommendations at its November meeting for communication to the Regents as part of their December deliberations on the Task Force recommendations. This process will give Senate agencies a brief opportunity to directly consider your modifications to the originally proposed options.

The resolution of the Council stresses the need for a plan to implement competitive compensation for faculty and staff in light of increased contributions and benefit reductions, indicates that cost to current employees for continuing plan benefits should not exceed 7 percent of covered compensation, supports the recommendations of the Finance Work Team to fund the annual required contribution to UCRP, favors Option C, rejects Option A and B and integrated plans in general, recommends against separating faculty and staff in separate plans with either lower employer normal cost or lower age factors, and recommends the provision of adequate inflation protection for retirees.

Sincerely,

A handwritten signature in cursive script that reads "Daniel L. Simmons".

Daniel L. Simmons, Chair
Academic Council

Encl (1)

Copy: Academic Council

Martha Winnacker, Academic Senate Executive Director

Lawrence Pitts, Executive Vice Chancellor and Provost

Nathan Brostrom, Executive Vice Provost, Business Operations

Peter Taylor, Chief Financial Officer

Randy Scott, Executive Director, Talent Management & Staff Development

Gary Schlimgen, Director, Pension and Retirement Programs, Human Resources

A RESOLUTION OF THE UC ACADEMIC COUNCIL
RESPONDING TO RECOMMENDATIONS OF THE
PRESIDENT'S POST EMPLOYMENT BENEFITS TASK FORCE
Adopted October 27, 2010

Whereas:

- Agencies of the Academic Senate have carefully reviewed the recommendations of the Post Employment Benefits Task Force Report;
- Senate agencies have reached a substantial consensus on almost all aspects of the PEB Task Force recommendations;
- A competitive pension plan that allows employees a comfortable, secure retirement is a crucial element of the University's benefit structure;
- Adequate protection against the erosion of purchasing power by inflation is an essential aspect of retirement security;
- Retirement benefits are a significant component of each employee's total remuneration;
- The University cannot recruit or retain an excellent workforce without competitive retirement benefits;
- Current cash compensation is seriously uncompetitive across almost all groups of University employees;
- A pension plan's provisions must be clear enough so that employees can make informed choices in their retirement planning;
- The University's practice of providing identical retirement benefits to faculty and staff has made a substantial contribution to employee morale, recruitment and retention;
- Benefits accrued to date within UCRP cannot be reduced, and the University must eliminate the unfunded liability within UCRP over time;
- The choice among the three Options makes little or no difference to the cost of UCRP to the University's operating budget for the next twenty years, and a modest difference after twenty years; and
- Although President Yudof has announced a decision recommending a modified Option C, the Academic Council wishes to provide a complete response to the report of the President's Task Force on Post-Employment Benefits;

Be it Resolved that:

- The Academic Council advises that increased employee contributions to UCRP require implementation of a plan for competitive faculty and staff salaries, with the understanding that prior to the implementation of benefit reductions or increases in employee contributions, there shall be offsetting or larger increases in cash compensation;
- The Academic Council opposes an employee contribution in excess of 7% for current employees who stay under the current plan terms;
- The Academic Council supports the recommendation of the Finance Work Team to quickly fund the Annual Required Contribution, using STIP borrowing and other appropriate means, to manage the negative impact on the operating budget of the amortization of the unfunded liability;
- The Academic Council supports Option C as the superior design for a new tier benefit plan for new employees;
- The Academic Council opposes Option A, on the grounds that it is severely uncompetitive across essentially all employee groups;
- The Academic Council recommends against adoption of any pension design integrated with Social Security, despite the theoretical merit of such plans in providing level income replacement, because the complexity of the plans and the uncertainty about the future evolution of Social Security prevents employees from making informed choices in their retirement planning; thus, the Council recommends against Options A and B;
- The Academic Council recommends against separating staff from faculty, in a plan with a lower employer normal cost, because of the risk to employee morale, and because there is no competitive justification for providing a lesser pension benefit to staff;
- The Academic Council recommends against separating staff from faculty, in a plan with lower age factors, because of the risk to employee morale, and because staff have clearly expressed a desire to have higher retirement benefits, with the cost born by higher employee contributions; and
- The Academic Council's support of a new tier pension plan is contingent on the provision of adequate inflation protection to retirees, either by adopting the reduced annual COLA and guaranteed ad hoc COLA provisions specified in Option C, or by retaining the full guaranteed annual and nonguaranteed ad hoc COLA provisions currently in UCRP.