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*Chair of the Assembly of the Academic Senate
Faculty Representative to the Regents
University of California
1111 Franklin Street, 12th Floor
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October 28, 2019

**JANET NAPOLITANO, PRESIDENT
UNIVERSITY OF CALIFORNIA**

Re: Employee Contributions to UCRP

Dear Janet,

At its October 23, 2019 meeting, the Academic Council unanimously endorsed the attached letter from the University Committee on Faculty Welfare (UCFW) opposing any increase of employee contributions to the UC Retirement Plan.

Members of the UCFW Task Force on Investment and Retirement, many of whom are experts in pension policy, have conducted considerable analysis clearly indicating that increasing employee contributions, in addition to the already approved 3% employer increase, does not have a strong financial justification, would impose additional burdens on lower-paid employees, and undo the recent progress on faculty total remuneration. Council also emphasizes that any additional increase in contributions from non-represented employees (with the assumption that represented employees would have such increases negotiated into their contracts when they come up in several years) would create significant morale loss and ill will among employees. Such disharmony does not augur well for the future of the UC, even more so given the modest benefit these contributions would have for the pension fund. In addition, we consider it important for the State to reinstate contributions to UCRP and honor its responsibility to support UCRP's financial health with regular contributions, in the same way that it supports CalPERS and CalSTRS.

Above all, the University should not rush into any actions until it considers alternative possibilities that do not harm employee remuneration and morale.

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

Sincerely,

Kum-Kum Bhavnani, Chair
Academic Council

cc: Gary Schlingens, Executive Director, HR-Retirement Programs & Services
Academic Council
Senate Directors



UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW)
Jean-Daniel Saphores, Chair
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October 22, 2019

**KUM-KUM BHAVNANI, CHAIR
ACADEMIC COUNCIL**

RE: Employee Contributions to UCRP

Dear Kum-Kum,

As you know, the University Committee on Faculty Welfare (UCFW) is deeply concerned about the sustainability of UCRP. UCFW believes that UCRP should be managed for the long-term, so it is important to not overreact by drastically changing assumptions and contributions because of short-term fluctuations. Changes proposed by Segal (the actuarial consulting firm hired by UCOP) are in line with assumptions made by other major pension plans, and we have not seen a clear case for increasing contributions to UCRP beyond the already approved 3% employer increase.

UCFW is therefore opposed to increasing employee contributions without first performing a comprehensive analysis of all reasonable alternatives to increase the funded ratio and set UCRP on a sustainable path. All reasonable options should be considered (including borrowing) in order to reduce the unfunded liability, and there needs to be a robust analysis of the impact of uncertainty in investment returns and inflation on the unfunded liability over the next few decades (not years).

UCFW would like to emphasize that increasing employee contributions is inefficient and would cause all kinds of difficulties without making a substantial dent in the unfunded liability. First, increasing employee contributions would further complicate the pension/savings choice in the 2016 Tier, and might have regressive effects as it intersects with the PEPR cap. Given that future UC employees are currently hired under the 2016 tier, it is vital that the effects of any increase on this tier be carefully studied. Second, in the short-term it would only apply to a relatively small number of non-represented employees. Ideally, contribution increases for non-represented employees should only start after these are bargained with all unions. Third, increasing employee contributions would hurt lower paid employees the most; proposals we have seen to cushion that blow would further complicate the pension system and stir tensions between UC employees, needlessly hurting employee morale. Lastly, increasing employee contributions would further set back the University in its attempts to bring total remuneration to the level of our comparators.

UCFW therefore asks the Academic Council to direct you and Mary Gauvain to encourage the Regents to postpone any decision on employee contributions until the required modeling and consultation have been properly performed.

Sincerely,

Jean-Daniel Saphores, UCFW Chair

Copy: UCFW
UCPB
Hilary Baxter, Executive Director, Academic Senate