HARRY POWELL, CHAIR, ACADEMIC COUNCIL

RE: Report of the President’s Task Force on Post-Employment Benefits (PEBTF): UCRP

Dear Harry,

Throughout the year, the University Committee on Faculty Welfare, UCFW, and its two standing task forces, the Task Force on Investment and Retirement (TFIR) and the Health Care Task Force (HCTF), have been extremely concerned with the PEB process. While we are grateful for the access provided to the administration and the PEB working groups, UCFW finds that the recommendations of the Steering Committee are fatally flawed.

The mission of the PEBTF was: “to study and recommend funding, policy and benefits design alternatives that reflect the university’s commitment to provide competitive pay and benefits programs to attract and retain excellent faculty and staff while ensuring that post-employment benefits for current and future retirees are sustainable.” However:

• The two pension proposals advanced are seriously uncompetitive.
• Option A is wildly uncompetitive; it is substantially uncompetitive for essentially all employee groups, 43% below market for campus and UCOP employees overall, and 41% below market for ladder rank faculty.
• Option B is also uncompetitive. Option C, which does not appear in the report at the time that this letter is written, is also uncompetitive. However, it should remain in consideration because it has the same normal employer cost as Option B but provides greater benefits, with greater employee contributions, to lower- & mid-pay level employees.
• Both B and C might become marginally competitive, but only if cash compensation were increased to market-competitive levels. We could consider supporting these options only if they were phased in simultaneously with salary increases designed to bring all employee groups to competitive cash compensation.
• The report recommends allowing current employees a Choice of remaining under the current UCRP benefit terms for future service, at a higher employee contribution. However, the report does not recommend a specific contribution rate for this choice, saying vaguely that a range of 7% -10% was “proposed” but apparently never adopted. Any contribution higher than 7% would clearly have the effect of coercing employees to “choose” the new tier; such a coerced choice is no choice at all, and could violate the rights of current employees under the California Vested Rights Doctrine.
• The new tier Options provide a contractually guaranteed annual COLA equal to the lesser of inflation or 2%, a significant reduction from the current contractually guaranteed annual COLA in UCRP. Senate members of the Task Force agreed to this reduction in the annual COLA on the explicit understanding that it would be offset by the introduction of a contractual guarantee of ad hoc
COLAs ensuring that the purchasing power of the pension never declined below 80% of its initial purchasing power. In the last few days before the report was finalized, the following wording was added to the report: “The cost of [the 80% purchasing power guarantee] during periods of sustained inflation greater than 2% will have to be monitored and changes considered if the cost becomes excessive.” This wording is entirely contrary to the clear understanding of Senate members when they agreed to the reduction in the annual COLA; it is unacceptable to UCFW.

We believe that many faculty and staff will desert the University if Option A is adopted, or if Options B or C are adopted without simultaneous salary increases needed to achieve competitive total remuneration, or if current employees are presented with a coerced “choice” of staying in UCRP under its current terms with an excessively large, 10%, employee contribution; UC will be irreparably harmed.

We ask that this letter be circulated to the standing committees and divisions of the Senate along with the report of the Steering Committee, in order to inform their evaluations as they fulfill their duties under shared governance.

Sincerely,

Shane White, UCFW Chair

Copy:
UCFW
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