

September 27, 2010

DIVISION CHAIR DOYLE:

Dear Fiona,

On behalf of the University Emeriti Relations (UER) Committee, I am replying to your request for comment on the Post Employment Benefit (PEB) Task Force report. First of all we found the Dissenting Statement prepared by faculty and staff members on the work groups to be a masterful and cogent analysis of the report, and it was very helpful to us in our deliberations. We concur in the underlying sentiments that motivated this statement, however we wish to make several specific comments and recommendations concerning the report, which we hope will be adopted as part of the Senate recommendations to the President. We also offer some comments on the response to the dissenting statement authored by three senior officers in UCOP

1. Option A for pension benefits as described in the report is uncompetitive for all groups of employees and would seriously impair the university's ability to recruit and retain an outstanding workforce, and would undermine the university's excellence in the long term if adopted. We therefore recommend that Option A be rejected.

2. The descriptions of Options B and C in the report are too vague and incomplete for us to be able to assess these options. We urge that clearer explanations plus illustrative examples be provided so that these options can be fully evaluated. We note that uncertainties concerning the future growth of the Social Security Covered Compensation (SSCC) number, which is key in determining both contributions and benefits earned in Option B make it very difficult to evaluate and compare these options. We urge that whatever Option is selected that top priority be given to increasing cash compensation to more competitive levels.

3. We are deeply concerned about the COLAs that would be guaranteed under the new pension plan. The new plan guarantees as a vested right annual COLAs matching CPI increases but capped at 2%. Partial protection against CPI increases in excess of 2% in the current plan appears to be replaced by a non-legally binding pledge from the Regents to maintain all pensions at no less than 80% of their purchasing power at the time of retirement. This is unacceptable; partial protection against CPI increases above should either be restored in something like its current form, or if not, then the pledge to retain purchasing power of pensions at 80% of purchasing power must be made a vested right.

4. The costs of health care are significant and integral to the core PEB "take-home" values of pensions. Since these costs will in all likelihood continue to increase at rates above the CPI, and will consume an increasing share of retiree income, protection against inflation is of particular importance for retirees, in this regard. The general national increase in health care costs will come on top of the proposed increase in the portion of the health care insurance premium that UC retiree will be asked to assume-- namely the PEB task force report proposes an increase from the average of 12% of the premium that retirees pay at present to 30% of the premium paid by retirees, the increase to be phased over a period of six years. Adequate COLAs for pension benefits as described in 3 are especially important in light of these increases in health care for retirees.

5. We recommend that the President not accept recommendations 10 and 11 in the pension work team report, which calls for the establishment of a 401(a) (17) restoration program. Such a restoration program would provide substantial enhancements to the pension benefits of a small group of very highly compensated employees, whose compensation exceed IRS limits for coverage by a qualified defined benefit pension plan. This restoration plan is being proposed at the same time as the report proposes that pension benefits of all other employees be curtailed. Implementation of such a program would undermine confidence both inside and outside of the university in the fairness of the university's pension plans, and indeed, recommendations 10 and 11 in the report have already attracted unfavorable comment in the press. Finally, the Senate is already on record as opposing such a restoration program, and that opposition should be reiterated forcefully.

6. We have reviewed the response to the dissenting statement that was prepared by three senior officers in UCOP. Not only does this response add virtually nothing to the debate, but it also contains some seriously misleading statements. For example, the response states that experts advise that employees need 70-80 percent income replacement of pre-retirement income. We are not aware of any such expert opinion and we are also informed that the task force itself discussed internally income replacement income in the range of 78% to 94%. Also the adequacy of a 70-80% figure is belied by points 3 and 4 above. In addition, the response states that Option C (and by extension the current UCRP) lacks "progressivity" in the contributions that employees would be expected to make. That is true, but, a true test of progressivity should compare contributions to the expected benefits received by different income groups, and the writers do not attempt to make such a comparison.

Calvin C Moore  
Chair UER

cc: UER members  
Executive Director Green Rush