Committee on Faculty Welfare
Response to Post-Employment Benefits Report & Dissenting Statement

Preliminary Analysis and Recommendations

The Committee on Faculty Welfare (CFW) has created a set of 17 slides on the Post Employment Benefits (PEB) recommendations. A list of the PEB recommendations affecting employees is presented in the slides. The position of dissenting opinion on these recommendations from members of the PEB task force is also included in the slides as well as a new pension plan option (called B2). B2 is not reviewed in the PEB materials, but has been discussed by various committees as the fourth option in addition to A, B, and C.

We urge all UC employees to familiarize themselves with the three aspects of Options A and B explained in the slides, but are not highlighted in the PEB task force materials:

- Dependence of age factor on salary
- Level of % salary contribution by middle-income employees (where most faculty are)
- Shift in age factor with time

An important consequence of shift in age factor with time is that salary scales will need to increase by at least 35% in 10 years; if not, age factors and pension incomes will automatically slip with time.

It is to be noted that the contribution by the current and new employees will be set for July 1, 2013 and then will be revisited every year as the university struggles to make contributions of 7% (starting 2011), 10%, 12%, 14%, 16%, 18%, and 20%+ and then staying at this level for several years to restore funding to UCRP. If these targets cannot be met, employee contributions may increase.

Options A and B both belong to the Integrated Plan Structure[1]. Options C and B2 belong to the current (flat or uniform) UCRP plan structure. In particular, *B2* has exactly the same cost to the university (same employer cost and same normal cost) *as the Option B*. Option B2 keeps the current UCRP structure with maximum age factor of 2.25 at the age of 65 as compared to the age factor of 2.5 with Option C.

From a benefits perspective, it is clear that C provides better benefits than B (or B2) and B (or B2) provides better benefits than A. From a cost cutting perspective, on the other hand, A is least expensive, B (or B2) is more expensive, and C is the most expensive of the three options. Both President Yudof's letter and the statement released by Provost Pitts cast doubts about the acceptability of Option C to the university.

Integrated Plan Options A and B represent a cut of approximately 20% and 10% from Option C respectively. In Option A, the 20% cut is non-uniformly distributed so that employees earning

[1] The Integrated Plan Structure integrates the UC defined benefit with social security and also creates a tiered system whereby employees who earn less, take home smaller percentage of their salary as pension benefits compared to those who earn more, in return for smaller contributions to the pension fund. In contrast, the current (flat or uniform) UCRP pension plan structure, all employees (with same retirement age and same number of years of service credit) contribute and earn same percentage of their salary.

below \$60K (\$80K in 2020) experience a 40% cut, which slowly reduces to a 0% cut for employees earning above \$180K (\$240K in 2020). In Option B, the 10% cut is non-uniformly distributed so that employees earning below \$60K (\$80K in 2020) experience a 20% cut, which slowly reduces to a 0% cut for employees above \$120K (\$160K in 2020). The non-uniform impact of these cuts are somewhat mitigated because employees earning less pension benefits contribute less to the pension fund; nevertheless university contribution goes disproportionately towards higher-income employees.

Based on this analysis, CFW (UCSC) has unanimously formulated a preliminary recommendation endorsing (i) rejection of the integrated plan structure, and (ii) adoption of the current (flat or uniform) UCRP pension plan structure. In its next meeting, CFW will be evaluating various flat options – Option C, Option B2 or their variants – that would be viable within the financial limits identified by the University.

Your input to this process and all other PEB recommendations is highly valued.

Suresh Lodha, Chair
Committee on Faculty Welfare