

COMMITTEE ON FACULTY WELFARE
University of California Retirement Program Resolution

To the Academic Senate, Santa Cruz Division:

The Committee on Faculty Welfare (CFW) would like to submit this short set of paired documents explaining (Background to Resolution) and proposing (Resolutions) actions we recommend that the UCSC Academic Senate adopt.

Background Information on CFW Resolutions

As described in the Committee on Faculty Welfare's "Report on the University of California Retirement Program" (April 2009), UCRP's funding has deteriorated significantly in the past year, raising anxiety and concern among current UC employees and retirees. Some of the key concerns include whether current, retired, and newly hired UC employees will receive the financial and health benefits our retirement programs have promised when they retire. Additional concerns include the return of member contributions in the next five years regardless of salary increases, freezes, or even cuts, and whether these contributions will be sufficient to bring UCRP back to sustainable levels. Although the UC Presidential Steering Committee and UC Presidential Task Force have begun to look into these questions, CFW believes the key data related to these questions should be made available to UCRP members in an easily accessible, transparent, and timely manner so that members can meaningfully make individual decisions such as whether to take a lump sum cash-out upon retirement or not. CFW believes that UC employees will have a better understanding of the decisions the UC Presidential committees and the UC Regents will make, and will engage more effectively in decisions about their retirements, if they have appropriate data easily available.

Principally, CFW recommends that key financial reports be made available on a single UC website, the UC Treasurer's Office site, and that certain reports currently not made available to the public be released, at minimum, to the UCSC Academic Senate. What follows is information that explains CFW's reasons for encouraging the UCSC Academic Senate to request the data identified in our Resolutions:

1. Annual investment reports by the UC Treasurer are public documents, but only the latest annual investment report is available on the UC Treasurer's website. Although these annual reports are available for the past few years at the UC Regents' website, they are very difficult to find. Since investment performance data for the last 10 years are often used as standards in the industry, **we recommend that the UCSC Senate request that these reports be posted at the UC Treasurer's website so that they are easily accessible to UCRP members.** The Treasurer's Office should be able to meet this request easily.
2. Monthly and quarterly investment reports are routinely prepared by the Treasurer's office and sent to the UC Regents Committee on Investments on the 25th day of the following month. Currently, monthly reports are not posted on the website, and

quarterly reports are sometimes posted with significant delay. While it is true that with investments one is well advised to take a long view of performance over time, nevertheless **this information should be accessible to interested members, and CFW recommends that the UCSC Senate request it.** The Treasurer's Office should be able to meet this request easily.

3. The information on administrative fees and expenses (including external managers' fees) is provided routinely for most public pension plan funds including CalPERS, as described in CFW's report on UCRP. But this is not the case for UCRP. Current estimates for these expenditures can only be vaguely inferred from associated statements in the Treasurer's quarterly and annual investment reports. In general discussions, estimates for these fees vary widely. Although the cost of managing UCRP funds may be a small percentage of the total UCRP assets, this amount may be a significant percentage of the contributions UC employees will soon begin to make. **This information will be helpful in determining what percentage of employee contributions goes towards the cost of managing the UCRP funds.**
4. Prior to 2000, the performance of UCRP funds was routinely compared with that of other pension plan funds in the annual investment reports by the UC Treasurer. However, after structural changes in the governance of UCRP, this comparison no longer appeared in these reports. The UC Academic Council and the systemwide Committee on Faculty Welfare (UCFW) have taken the position that such comparisons are not appropriate. The UC Treasurer's office has also recently reaffirmed that peer comparisons are not appropriate—this despite the fact that the Treasurer's Office routinely reviews the Master UCRP Trust Report, which compares the performance of UCRP with all other public pension plan funds. The argument against releasing these comparisons is that investment return comparisons of plans that have significantly different asset allocations will likely be misleading. CFW recognizes this challenge. However, we also recognize that the public and the media routinely make such comparisons—comparisons incorporating both the investment returns and the asset allocation policy. We suggest there is a need for simpler comparison metrics.

CFW feels that UCFW, Academic Council, and UC Treasurer's Office opposition to these comparisons is not sound, nor that it is in the interest of UC's public image. However, since UCFW, the Academic Council, and the UC Treasurer's Office remain steadfast in opposing comparisons between the performances of UCRP and other public pension plan funds, CFW encourages the UCSC Academic Senate to compromise with a request for this information to be provided to its membership. The information CFW asks the Senate to request—the Master UCRP Trust Report mentioned above, and the External Managers Performance Report prepared quarterly by State Street (the bank used by UC)—is already reported to the UC Treasurer's Office but is no longer reported to the public. **While CFW believes both the Master Trust Report and the External Managers Performance Report should be provided to the public routinely in the annual report, given opposition to this suggestion we suggest the compromise position described above.**

5. UCRP currently manages the retirement funds of five different segments—Campus and Medical Centers, Lawrence Berkeley National Lab (LBNL), Los Alamos National Lab (LANL), Lawrence Livermore National Lab (LLNL), and UC-Public Employee Retirement System (UC-PERS). Assets for all five segments are held jointly, but different segments have different liabilities and funding ratios. Some of the numbers (for example, assets and liabilities) associated with each segment are computed annually and reported to the UC Regents by the Regents' actuary, Segal Company. However, other UCRP numbers (for example, assets, investment returns, contributions) are reported only for the whole UCRP and not segment-by-segment by the UC Treasurer in its annual investment report. Often the numbers (for example, assets) detailed in the Segal Company's Annual Report and the UC Treasurer's Annual Investment Report—numbers one would expect to be identical, because describing the same fund—are off by a small amount. Though the mismatches are small and not particularly concerning, they make comparisons of data from these two sources difficult. Furthermore, additional UCRP data such as annual benefit payments, investment returns and fees attributed to various segments, although computed annually, are also unavailable to the public. Having all this data together separately for each of the 5 segments and for the whole UCRP will make the information transparent to UCRP members. **This will help to answer questions as to why UCRP members belonging to different segments make different contributions.**
6. Segal Company has estimated AAL (actuarial accrued liabilities) for the next five years for planning purposes and has presented this information to the UC Regents in graphical form. The actual underlying data is not available to the public. **These data are needed to estimate the future funding ratio and comprehend the future health of UCRP.** The Segal Company should be able to provide this information easily.
7. CFW also recommends the UCSC Academic Senate request a 10-year projection of expected annual benefit payments. **As UCRP is likely to need a more pay-as-we-go approach in the future, the 10-year horizon for expected payments would greatly help UCRP members understand UCRP's ability to bear benefit payments to UCRP members for the next ten years.** This projection is particularly important in view of remarks by UCOP representatives that there are currently enough funds in UCRP to pay off the members for the next several years. The Segal Company, in all likelihood, computes these projections and it is worthwhile to have these numbers publicly available to UCRP members.

RESOLUTION

Whereas certainty about the commitment of the UC Regents to the UC Retirement Program is essential to the morale of UC faculty and other employees, and critical to UC's success in recruiting and retaining excellent faculty,

Whereas certainty about the commitment of the UC Regents to retirees' health benefits is likewise critical to morale, recruitment, and retention,

Whereas timely information about the current and projected funding status, cost, and returns of our retirement system, and its relative performance and health in comparison to other public employees' retirement systems, is essential to members' ability to participate meaningfully in decisions regarding our financial futures,

Therefore be it resolved that we urgently request the UC President to issue and post on the Office of the President's website statements assuring UC's commitment to honor UCRP employee benefits, and post-retirement health benefits, and

Be it further resolved that the Academic Senate of the Santa Cruz Division urges:

(1) the UC President to

(a) direct the UC Treasurer to

- post the annual investment reports for the last ten years on the Treasurer's website,
- post the monthly and quarterly investment reports on the Treasurer's website by the end of the following month,
- provide the information on fees, expenses, and compensations to external managers incurred in managing UCRP funds in the Treasurer's annual report,
- provide a copy of the UCRP Master Trust Report and the External Managers' Performance Report on a quarterly basis, as soon as it is available, to UCSC, to allow interested members to examine the performance of UCRP investment returns in comparison to other public trust funds; and

(b) direct the UC Treasurer and UC's actuary Segal Company to

- provide the annual UCRP funding numbers (benefit payments, contributions, investment returns, and fees and expenses along with assets and liability-related information) annually in dollar amounts in one consistent table for each of its five different segments—UCRP Campus and Medical Center, LBNL, LLNL, LANL, and UC-PERS Plus 5 Plan, and for the whole UCRP; and

(c) direct UC's actuary Segal Company to

- provide projections of the total AAL (actuarial accrued liabilities) for the next five years in the annual actuarial report, and
- provide projections of expected annual benefit payments for the next ten years in the annual actuarial report;

(2) the UC Academic Council to pursue the matters listed above with the systemwide UC administration; and

(3) the Chair of the Santa Cruz Division and the Santa Cruz UCFW Representative to pursue the matters listed above with the UC Academic Council and UCFW.

Respectfully submitted;
COMMITTEE ON FACULTY WELFARE

Maria-Elena Diaz

Isebil Gruhn *ex officio*

Joel Kubby

Suresh Lodha

Pete Raimondi (W, S)

Jennifer Reardon

Trish Stoddard (S)

Marilyn Westerkamp (S)

Elizabeth Abrams, Chair

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