## *We won't be divided!*

# *UC's pension numbers don't add up*

## OUR UC UNION COALITION PRINCIPLES

- No second class workers
- We won't work until the day we die
- We will not be divided
- Stop the race to the bottom
- Retirement security
- Employee voice in our post-employment benefits

**These principles have been agreed on by UPTE-CWA, AFSCME and the California Nurses Association, which together form the UC Union Coalition and represent 44,000 workers at UC.**

## Did you know?

The average UPTE-represented worker hired after July 1, 2013 who retires between 55 and 60 would lose **ON AVERAGE $14,560 PER YEAR** of pension and retiree health care under UC's proposed changes.

## How would your pension shrink under UC's proposal?

To find out, input your salary at
**<www.upte.org/pension-calc>**

## What will stop UC?

- The unity of 44,000 UC staff represented by UPTE-CWA, AFSCME and CNA, with coordinated union bargaining.
- Media campaign, member education and legislative support.
- Effective mobilizing actions, including a strike if necessary.

## What can you do?

- Educate yourself and stay informed by coming to meetings, reading updates, etc.
- Become an **UPTE member**.
- Participate with co-workers in union actions.
- Contact your local about these and other ways to get involved: <www.upte.org/contacts>

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**Independent analysis shows that UC IS USING ACTUARIAL TRICKS to make the UCRP pension fund look worse on purpose. *Why?* Because UC wants BARGAINING CONCESSIONS that would force employees to pay more. Our pension plan can easily be fixed (saving $1 BILLION in the process) by using MORE REALISTIC financial assumptions.**

## AN UNBIASED VIEW

Working together, UPTE-CWA and two other unions representing UC employees hired a professional actuary to review the university's methods and calculations for our pension fund, UCRP. The actuary's full report can be found at UPTE's website, <www.upte.org/pensionreport.pdf>.

The report clearly shows that UC has used overly conservative assumptions to claim that new contributions of 28.6% of payroll are needed to keep the fund healthy.

During what it called its 1991-2009 "contribution holiday," UC saved billions by not providing its share of the funds to reach that theoretical goal. Employees, however, never got a real holiday, as we continued to have 2% of our pay deducted for retirement costs.

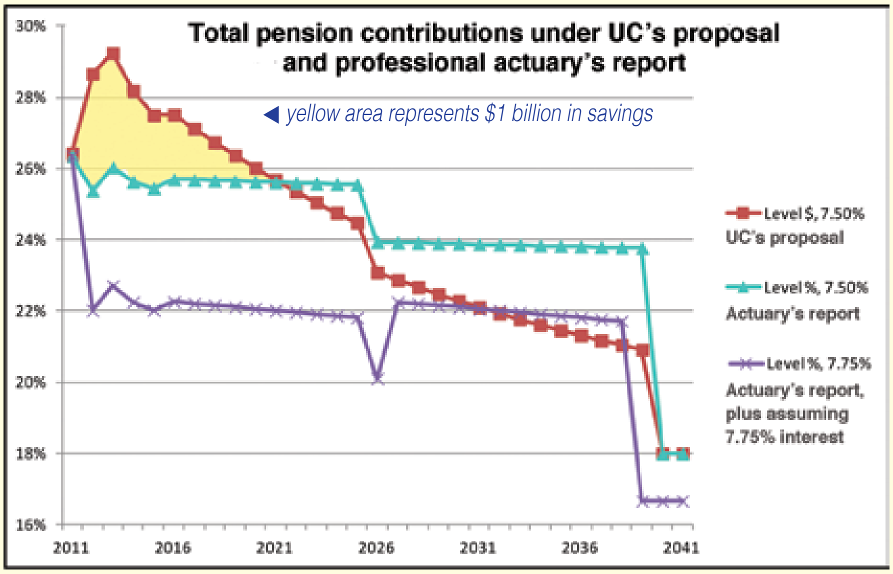
Now UC wants each employee to pay much more, essentially constituting a pay cut. On top of that, UC would split the plan into two tiers – a system that threatens the plan's future stability and value. Those individuals forced on to the new tier would take a major cut to their benefits.

## UC's ASSUMPTIONS WRONG

The actuary's report identified three faulty assumptions that UC used to overstate its pension costs on paper:

**1** ▶ To bring UCRP back to a 100% funded level over the next 3 decades, UC wants to "front load" extra pension contributions costing $1 billion in the next 4 years (the yellow area of the graph at right). Using a more common practice for this calculation, the actuary estimates that the fund's modest shortfall could be paid off on the *same* timeline without spiking contributions in the initial years.

**2** ▶ UC underestimates its annual return on investments at 7.5%. A majority of the nation's 128 largest pension funds use 8% or more, and UCRP has earned more than 9% over the last 20 years. If we assume just a 7.75% return over time – that's only 0.25% higher than UC's assumption – contributions would fall by about 4% of payroll.




**3** ▶ UC makes the unrealistic assumption that *all* employees receive a 5% raise each year. More accurate estimates would reduce contributions by an additional 1% of payroll.

## OUR GOAL: A SECURE, WELL-FUNDED PLAN

Both the professional actuary's and UC's calculations assume the plan's funding goal is 100%. That's what the UC regents have insisted on, even though public pension funds are considered responsibly-funded at 80%. (Funding the pension at 100% would only be required if UC plans to go out of business and immediately provide every employee with pension benefits.)

If the goal were set at 90% funding and UC stuck to it, the needed contributions could be set *even lower.*

The union's actuarial report concludes that UC inflated the contributions needed to the fund "for no apparent purpose other than... to justify benefit reductions."

***Don't buy it!*** *We've worked hard for our retirement benefits – and by mobilizing with our co-workers and supporting our unions, we can protect them and keep them healthy.*

## WHAT YOU'D LOSE UNDER UC's PENSION PROPOSAL

| PENSION | Hired before 7/1/13 (Tier 1) | Hired 7/1/13 or later (Tier 2) |
|---|---|---|
| Employee contribution as % of payroll | 6.5% | 7% |
| UC contribution as % of payroll | 12% | 12% |
| Age eligible for retirement | 50 | 55 |
| Age to receive maximum pension benefit | 60 | 65 |
| Option to cash out pension ("lump sum") | Yes | No |
| 25% pension continuance for survivor | Yes | No |
| Cost-of-living adjustment on pension between leaving UC & retirement | Yes | No |
| **RETIREE HEALTH BENEFITS** | **Age + Service‡ = 50+ (Current)** | **Age + Service‡ < 50 (New Tier)** |
| Age eligible for minimum UC contribution | 50* | 56** |
| % of maximum UC contribution paid at age of eligibility | 50% | 5% |
| Age for UC maximum contribution | 50# | 65†† |
| Maximum % of premium UC pays‡‡ | Eventually 70% | Eventually 70% |

*‡Must have 5 yrs of service. *With 10 yrs of service (5-9 yrs if age + service = 75). **With 10 yrs of service. #With 20 yrs of service (10yrs or 5yrs + age 55 for those hired before 1990). ††With 20yrs of service. ‡‡UC now pays on average 80%.*