

Who controls our pension money?

Reprinted from the UPTE Update, Fall 2000.

What lies in store for UC's \$53 billion pension fund? This is not a question that keeps most UC employees awake at night – at least, not until recently.

But last month, the Regents forced out long-time UC Treasurer Patricia Small, who oversaw the system's \$59 billion pension fund, and gave some of her duties to the CEO of a private investment firm, Wilshire Associates, which had made several major donations to the Republican Party.

Under Small's oversight, UC's investment portfolio had rung up healthy gains, with an annual average return of 16% over the last two decades. This burgeoning pension fund is what provides some of the best retirement benefits of any public or private employer in California.

But this apparently wasn't good enough for Regent Gerald Parsky, who was appointed to the Board in 1996 by then-governor Pete Wilson. A Republican Party supporter to the tune of \$500,000, Parsky is also chair of George W. Bush's California campaign. As a Regent, he heads the oversight committee on UC investments.

Last year, soon after Wilshire executives donated \$10,000 to Bush's campaign, the Regents gave the firm a \$250,000 contract to review the fund's investments, without putting the contract out to bid. Wilshire Associates returned a report that said Small's investments had been too risky and that a complete overhaul of the pension fund was in order.

In May, the Regents agreed. They voted to hire an outside consultant, and perhaps not surprisingly, Parsky recommended that this contract, valued at \$350,000, also go to Wilshire Associates without competitive bidding. A week earlier, Wilshire CEO Dennis Tito had given \$80,000 to the Republican Party. Small opposed the recommendations and resigned (with a healthy severance package of \$600,000).

Unions suspect backroom deal

Four UC unions – UPTE, CUE, UC-AFT and AFSCME – filed a complaint August 1 with the California Fair Political Practices Commission, charging that Parsky may have violated the law banning government officials from soliciting campaign donations from contractors. The complaint asks that the Wilshire contract be withdrawn if such allegations prove true.

"With dwindling pay, many long term employees – from Scripps Institute of Oceanography at UCSD to Los Alamos National Lab in New Mexico – are hanging in there to retire," said UPTE President Jelger Kalmijn. "They are worried that UC management is opening the door to private investors who may squander the pension they have been counting on for so long."

The unions are encouraging legislators to launch an inde-

pendent investigation of possible corruption in the pension fund fiasco.

A scathing August 14 editorial in the *San Francisco Examiner* took the Regents to task: "With awesome responsibility for governance of one of the world's great educational systems, [the

Regents] chose instead this week to meddle with UC's well-managed investment portfolio of \$59 billion.

In so doing, they lost trust, credibility and respect....Astonishingly, the Regents must not have understood how secrecy stinks, especially when \$59 billion of public money is at stake."

According to *The New York Times* for June 20, 2000, Wilshire Associates manages about \$10 billion in assets – clearly, the addition of a quarter of UC's \$53 billion in pension funds is a lucrative deal, vastly enhancing the company's reputation.

Meanwhile, the *New York Times* reports that Wilshire Associates CEO Dennis Tito, who is now advising the regents on our pension investments, is paying \$20 million to a Dutch company for the privileges of being a "space tourist" aboard the Mir Space Station. ■



\$100,000 Club rakes in the dough

A warning: if you've been employed at UC for more than a few years, the following story may sound like déjà vu.

At its most recent meeting, the Board of Regents approved salary increases for top executives, including President Richard Atkinson, the ten campus chancellors and "a range of senior administrators earning above \$168,000," according to a UCOP September 14 press release.

Atkinson received a 3.5 percent pay increase, from \$337,300 to \$349,100 per year. Six of the ten chancellors also received 3.5 percent increases; four others received raises of up to 4.3 percent. Sadly, the UC chancellors' average September 2000 salary of \$270,500 still lags behind "market rates," according to UC. While many of these celebrated executives got five-figure pay raises, tens of thousands of UC rank and file staff barely made it through the month.

UC's spin doctors are careful to point out that these increases come from the same 3.5% merit pool which funds other UC staff raises, though "in some cases, administrators were given additional increases beyond the basic merit-based increase to promote retention, improve a position's salary in the higher education market, or correct an internal pay misalignment."

What they don't bother to mention is just how well those executive salaries have kept up with – or even far outpaced – inflation. For instance, three years ago Atkinson's salary was a mere \$263,500, according to a September 19, 1997 press release, about \$85,000 less than now makes. Nice raise in just three years, eh? ■