The real money story
What the actuaries say about our pensions

The University of California (UC) has no plans to pay the 28.6% of its own actuaries claim is required for the pension fund. Are UC executives being irresponsible, is this amount not real, or both? The actuaries hired by the Coalition of UC Unions conclude both. 

UC’s actuaries based their calculation on front-loading the payments to the pension, costing an unnecessary extra payment of over $1 billion in the next four years,” said UPTE’s president, Jelger Kalmijn, who works as a staff research associate at UCSD. 

He adds that UC also exaggerated how much employees get in raises while underestimating how much retirement funds make in investment returns. “How much we get in raises and the returns on the pension fund are given to UC’s actuaries by the university’s policy makers,” notes Kalmijn. “All together, these erroneous assumptions cause UC’s actuaries to inflate the required contributions by 4% to 5% – and that’s not small change for our members.”

UC’s employer contribution overdue
The union coalition’s actuaries were also profession-ally offended by the fact that UC claims it needed 28.6% for our members. “UC’s own actuaries could do nothing but shrug their shoulders when confronted with statements by the university that it had no intention of making the recom-mended contributions,” said Wendi Felson, UPTE’s chief negotiator for the health care professionals unit (HX) and a retired UCSF clinical lab scientist. “We insist that UC fulfill the payments to the pension fund for which it is responsible.”

What reason does UC have for exaggerating the costs needed by the pension fund and then not paying them? “These unrealistic estimates give UC negotiators cover to make the cuts to our benefits that they wanted to make long before they got the 28.6% cost estimate from their actuaries,” said Kalmijn.

UC has two pension plans: the UC Retirement Program (UCRP), and the Defined Contribution Plan (DCP). From 1990 to 2010, employees contributed 2% of our salaries to the DCP, but the university itself took a contribution holiday and paid nothing into any of the UC retirement plans. “UC had made two recommendations attributed by its own actuaries, there would likely be no shortfall in the UCRP now. “If UC had even made the same 2% contribution to UCRP that employees were forced to make to the DCP plan, we’d be in better shape,” said Felson.

UC Davis colleagues on the picket line for fair pensions.

Both the actuaries hired by UC and those hired by the unions agree that this lapse in contributions was an error that should never be repeated. By far, UC benef-fitted the most, said UPTE bargainer Felson, “and UC management must now come up with the money to recoup the debt created by its decision to divert money from our pensions 20 years.”

You can read the union actuary’s report at [http://upte.org/benefits].

It’s not fair: second class workers
UC has proposed a “Tier Two” pension for new hires that costs UC 3% less, even though employees will be forced to make a greater contribution. “As new employees are hired, their contributions will pay off the debt UC accumulated by not making payments for two decades,” notes Felson. “In essence, the new hires will pay for the better benefits of those with more seniority. This inequity will create resent-ment,” she said, adding that it is also likely that UC will eventually propose that ‘Tier 1’ workers take an additional pay cut to cover their better benefits. In short, UC wants to put everyone on the equiva-lent of a reduced pension – either a “Tier Two” with lower benefits, or a “Tier One” that includes pay cuts in the form of higher contributions.

UPTE’s bargainers will rely on data provided by our own actuaries to make responsible proposals for all employees to be on a single tier for pension and retiree health benefits. They’ll outline these proposals as they are made at the bargaining table. All the actuaries agree that the cost for maintaining the pension fund adds up to 18% of payroll. For employ-ees without a contract, UC will increase the employee contribution to 6.5% and its own contribution to 12%. That already adds up to more than the 18% cost. Cur-rently, UPTE-represented tech and researchers contrib-ute 5%, while health care professionals contribute 3.5%. UPTE proposes to review the actuarial formula for pension contributions, and that UC pay the debt caused by its own failure to make contributions for two decades.

UC employees have been demonstrating against management’s damaging proposals for a two-tier retirement system.

Participants turned out at every campus and medical center in late January, and again in early April, to object to UC’s plan to reduce the retirement benefits of frontline em-ployees by as much as $1000 per month, while maintaining executive perks like UC president Mark Yudof’s additional $230,000 in pension benefits each year after working only 5 years.

Three unions – UPTE-CWA, AFSCME and the Cali-fornia Nurses Association – “came together in a ‘perfect storm’ of strength and solidarity” on January 31, according to UCLA clinical social worker Peggy Stewart. They col-lectively represent some 44,000 employees systemwide, and are working together to respond to the regressive proposals and defend UC workers’ pensions.

Union coalition works against takebacks
“Just is the beginning of our campaign to pre-vent UC’s overpaid executives from dismantling our hard-earned benefits,” said UPTE member Paul Brooks, a spectroscopist at UC Berkeley. “It makes no sense to split the plan into tiers that will weaken it,” he added.

On April 4, UC workers came out again to protest pen-sion cuts and layoffs. At UCSF, 10 union activists were arrested making their case that top executives are misman-aging UC’s 10-campus system, including laying off workers who are essential to the medical center’s success.

State Senator Leland Yee (D-SF) joined the protestors, as did San Francisco Supervisors Eric Mar and John Avalos. Yee told UC workers: “You people are having a hard time and you deserve our support.”

The regents have proposed changes to both major components of UC employees’ retirement: pensions and re-tiered health benefits. They want to introduce a new, inferior “tier” in each component by July 31 of this year.

UC executives have said they believe employee benefits are “too generous.” For those UC workers forced onto a cheaper “second tier” for either pension or retiree health, it may be financially impossible to retire before age 65.

Stay tuned: more opportunities for action are on their way!

State Senator Leland Yee (D-SF) with UPTE’s Wendi Felson. 

Calculate what UC’s proposals will cost you: [www.upte.org/pension-calc]
The elephant in the room: retiree health benefits

Besides pension, the other major post-employment benefit UC workers receive are retiree health care benefits. But UC’s proposed changes to retiree health benefits will force many employees to postpone retirement by as much as 15 years.

Currently, most employees receive the full UC contribution for their health care plan if they have at least 20 years of service and are at least 60 years old when they retire. Under UC’s new proposal, you must have both 20 years of service and be 65 years of age. At 50, you are no longer even eligible for retiree benefits, at any cost.

The full cost of UC health benefits is currently about $1,200 for an individual and spouse/partner. In most cases, this adds up to more than half of the value of post-employment benefits for UPTE members who retire at 60.

“We cannot afford to live on half our pensions,” said UPTE’s chief bargainer Wendi Felson. “Under UC’s plan, we would be economically coerced to continue working until at least age 65.”

Doesn’t this just affect new hires?

“The change would affect new hires and about half of our current employees. Many who came to work at UC with the promise of retiree health benefits will be sorely disappointed. If your age added to your years of service on July 1, 2013 do not at least equal 50, you will be on the “Tier Two” retiree health benefits. For example, a 35-year-old who has worked 10 years at UC on the assumption they could afford to retire at age 60, will now have to work until they turn 65, or forfeit nearly $500/month to retain their health insurance.

UC pays for retiree health benefits as an overhead charge on all income. More than $3 of every $100 that UC brings in now goes to pay for the benefits of employees already retired. This amount continues to increase because the cost of health care goes up more quickly than UC’s budget. The amount of retirees’collecting benefits also grows more quickly than UC as our life expectancy increases. These costs are real and will continue to rise for the foreseeable future.

What we need: a retiree health benefits trust

“Why didn’t UC fund a retiree health benefits trust fund like the pension fund that could partially pay for benefits with investment returns?” said Jelger Kalmijn, the union’s president and a UCSD staff research associate. “UPTE-CWA proposed such a plan to UC more than 5 years ago. In response, UC set up a trust fund but has not funded it.”

The UPTE bargaining team will propose to UC that both employees and the university make modest contributions to this retiree health benefits trust fund in return for a guarantee that the benefits cannot be taken away. Any amount set aside into the fund will be institutionally invested, making closer to the 7.5% return on investment the UCRP pension fund makes. “Only with such a fund to offset increasing costs, can we preserve any retiree health benefits prior to 65, when we become eligible for Medicare,” said Kalmijn. “For those who retire after 65 or do not need retiree medical benefits because they have benefits through a spouse or partner, the benefit could be added to the pension benefit.”

Our principles: preserving a quality UC

- **NO SECOND CLASS WORKERS**: UC is proposing that new hires pay the same for a lesser “Tier Two” pension, with the extra going to make up for the fact that UC did not make any contributions for 20 years. Newly-hired employees should not have to suffer for UC’s fiscal irresponsibility. It would not be fair for them to do the same work and make the same contribution but receive a much smaller benefit. We also know that eventually UC will come to those employees with better “Tier One” benefits and demand additional contributions.

- **WE WON’T WORK UNTIL THE DAY WE DIE**: UC wants to postpone the maximum retiree health benefit by 15 years. This would affect about half of current UC employees (if your age plus years of service is less than 50, or if you have fewer than 5 years of service).

- **WE SHALL NOT BE DIVIDED**: If co-workers have varying benefits and contributions, our interests will likely be at odds and we would be challenged to build the unity we require to win good future contracts and raises.

- **RETIREMENT SECURITY**: UC should be required to make sufficient contributions to the pension and retiree health benefits funds to ensure these benefits for all future retirees.

- **VOICE OF EMPLOYEES:** No other major public employer has no employee representatives on their board of pension trustees. Because employees make a large part of the financial contribution and depend on the benefits, we should have a say in how post-employment funding is managed.

Give up 75 years of progress? No way!

Before Social Security, there were no pensions or health benefits after retirement. Workers had to rely on their families to take care of them when they could no longer continue to work, or worse, work until they died they day.

President Roosevelt signed the Social Security Act in 1935 so that workers would not face abject poverty upon retirement, especially after the Great Depression had wiped out most peoples’ savings. Shortly after World War II, many employers set pension plans in response to workers demanding higher raises. Within a decade, American workers had Social Security, other pension plans and savings (such as their house), and most could retire with dignity. This trio of financial resources provided retirement security.

In the last 5 years, all that has changed, with many working people losing financial resources stored in housing or investments, while debt has skyrocketed. That leaves pensions as the key to retiring with dignity. We all need to step up and defend what we’ve earned.

What’s next: sign the petition today

As our first action, TX and RX members are signing a petition demand fairness and security for our post-employment benefits. The petition also shows support for AFSCME patient care technical workers (PCT) whose contract expired last year and whose bargaining is in impasse, and for the UPTE health care professionals (HCP) members who have been without a contract for more than a year and have overwhelmingly voted to strike.

“We are all fighting to preserve our post-employment benefits and will only win if we remain unified,” said Mike Fehr, a computer resource specialist at UCLA. “A strike may be required to get UC to seriously consider our alternatives to a 2 tier pension and retiree health benefit system.” Contact your local UPTE representative or steward, or visit www.Upte.org to sign.

Your UPTE-CWA bargaining team. Contact us!

Wendi Felson, UCSF (ret.), Chief Negotiator
Jim Hockridge, Principal Television Technician (TX), Berkeley
Paul Brooks, Spectroscopist (RX), Berkeley
Karen Galbreath, Animal Health Technician (TX), Davis
Vanessa Rachula, Staff Research Associate (RX), Davis
Erik Lawrence, Senior Wardrobe Technician (TX), Irvine
Mike Dupray, Principal Radiation Control Technician (TX), LBNL
Mike Fehr, Computer Resource Specialist (TX), Los Angeles
Jie Luo, Staff Research Associate (RX), Los Angeles
Tonya Greene-Tucker, Clinical Research Coordinator (RX), San Diego
Jimmy Leo-Castillo, Principal Electronic Technician (TX), San Diego
Paul Phojanakong, Laboratory Assistant (TX), San Francisco
Elisa Cleveland, Staff Research Associate (RX), San Francisco
Damin Miller, Principal Electronics Technician (TX), Santa Barbara
Erik Kovacs, Principal Telescope Technician (TX), Santa Cruz

Find contact information for all team members at www.upte.org.