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Financial Sector Takes Growing Share of Wages and Benefits

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(UC and LLNS employee at LLNL from 2003 - 2016)

During the last decade inequalities in wages and benefits granted to national laboratory employees have increased, both between employees at the same laboratory and between employees in different sectors. Changes in national pay scales, which ultimately set wages at the national laboratories, have primarily benefited employees in the financial sector, to which vanishingly few national laboratory employees belong.

LLNS (Lawrence Livermore National Security) and LANS (Los Alamos National Security) have provided different, and inequitable, retirement benefits to different classes of employees since UC (University of California) relinquished operational control of LLNL (Lawrence Livermore National Laboratory) and LANL (Los Alamos National Laboratory) to LLNS and LANS, respectively, in 2007. LLNS and LANS employees who transferred from UC's equitable retirement benefits system to the private company pensions in 2007 and 2006 respectively belong to a more generous[†] pension plan (TCP1), which provides a defined and guaranteed benefit. New LLNS and LANS employees must instead enroll in a defined contribution plan (TCP2) and choose among various 401(K) funds that provide an uncertain payout at retirement.

The fees Fidelity charges to manage UC, LLNS and LANL retirement funds slows their growth. Since 2000, UPTE-CWA's pension analysts have found that fees for a UC defined contribution retirement plan increased sharply when UC decided to no longer manage its own retirement funds. Fidelity now manages the funds and charges high management fees, especially for plans that include actively managed international funds.

LLNS lack of transparency about fees for managing our retirement funds is also of concern. This lack of transparency is *prima facie* evidence that, as at UC [1], high fees paid to manage individual 401(K) funds (Fig. 1) slow the growth of our retirement funds. Hewitt manages LLNS's TCP1 retirement plan and Fidelity manages the TCP2 plan. During recent contract bargaining, LLNS management refused to provide UPTE-CWA with information on Hewitt's fees, citing

[†] While likely more generous, the actual outcome for pensioners depends on the continued financial solvency of LLNS and its possible successors.

confidentiality of its agreement with Fidelity. The agreement likely conforms to the industry standard practice of charging lower management fees if those fees are not disclosed to outside parties, such as employee bargaining units.

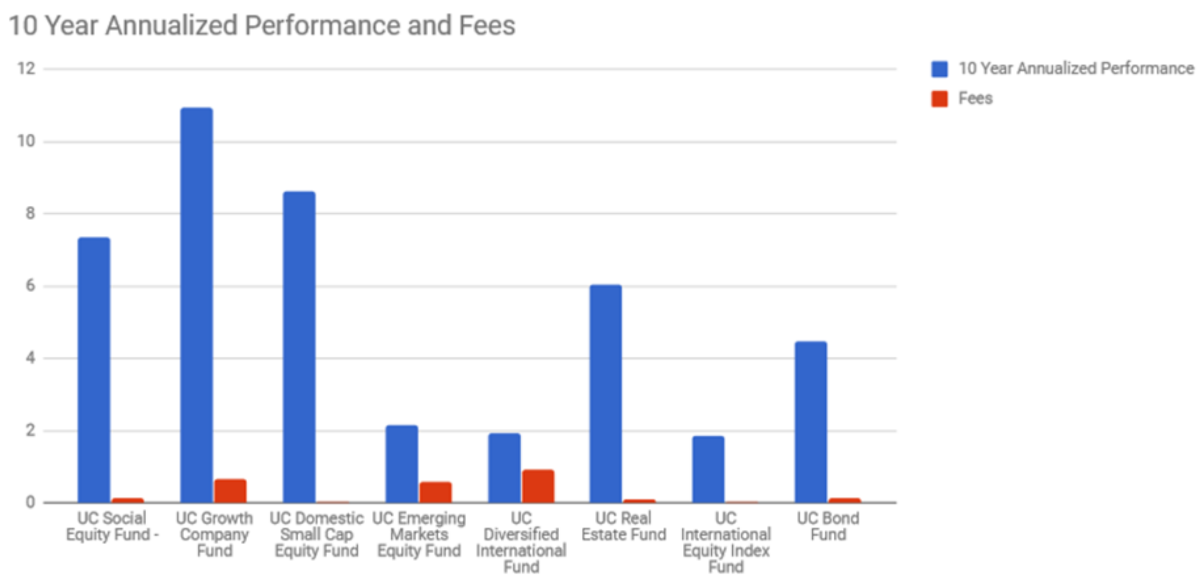

Figure 1.

UC Domestic Funds Outperformed International Equity Funds Over Recent 10-Year Period

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Today Fidelity is encouraging LLNS, LANS and UC employees to invest more in international funds that charge higher management fees than domestic funds and that have underperformed domestic funds over the last decade. For example, Fidelity has increased the percentage of international funds in their composite Retirement 20XX (LLNL) and Pathway Funds (UC), the alternative promoted for passive investors. In recent years [Fig. 1], Fidelity domestic equity funds, and even a low yielding bond fund, have outperformed UC's international equity funds.

To blame laboratory executives and managers for the decline of our share in the benefits of increased national productivity [Figs. 2 and 3] is blaming the messengers and accomplishes little. LLNS and LANS executives simply pass on messages from Wall Street financiers via Congressional policies that in the 1970s began changing radically to favor financial interests. [2,3,4,5]

Except for financiers, such policies depress the pay scales of firms nationwide, including those of the other national laboratories and the Bay Area and Silicon Valley tech firms LLNL uses to benchmark internal pay scales. These benchmarks protect LLNS managers from charges by politicians, national laboratory critics and, especially financiers, that we are overpaid for the work we do; work that advances science and engineering to both protect the nation from foreign security threats and to create technological advantages that allow American businesses, large (Apple and Google) and small (shale oil producers), to create enormous wealth.

We can grouse about laboratory management, but we must also do more to recoup the gains in national productivity stolen by financiers since the 1970s. UPTE-CWA's national laboratory, university and community college staff are banding together with environmentalists, labor, religious and social justice organizations and local businesses to redirect these stolen wages back to raise wages and reduced taxes on wages.[6]

The next article in the series **Your Wages, Benefits and Rights** will describe how policies that govern the financial sector and are favored by international financiers, such as JP Morgan, have restricted rights and depressed wages and benefits at DOE national laboratories including Lawrence Berkeley, still managed by UC, or those formerly managed by UC (Lawrence Livermore and Los Alamos), and even within the University of California system. The article will also describe changes to national policy which would allow non-financial sector employees to once again share directly in the productivity gains their blood, sweat and tears enable.

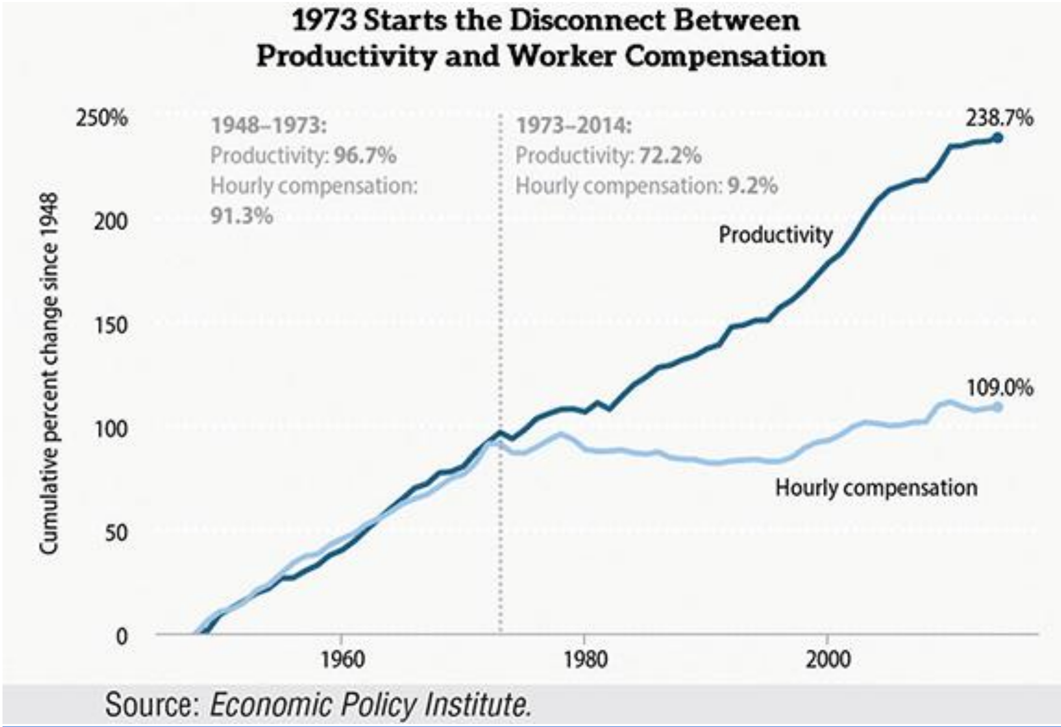

Figure 2. Employees Compensation No Longer Rises with Productivity [3,4,5]

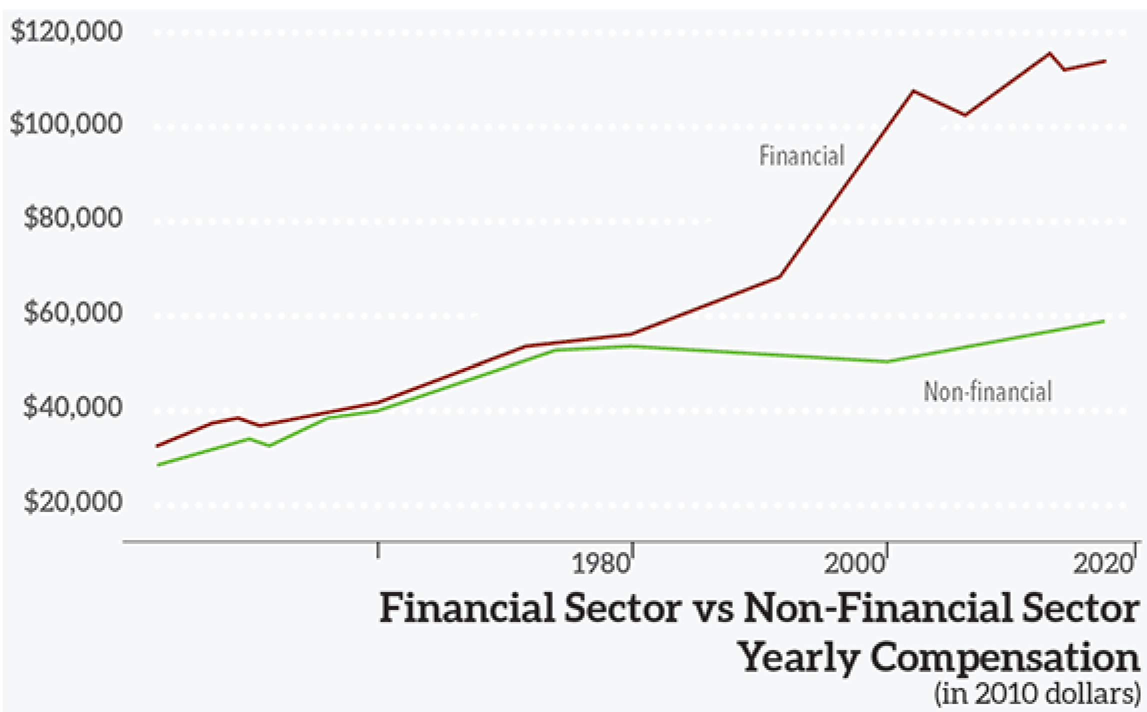

Figure 3. Wages in Financial Sector Have Continued to Track Productivity Gains [3]

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