

Gina Anderson

Subject: FW: Academic Council letter regarding increasing contributions to UCRP

From: Clare Sheridan [<mailto:Clare.Sheridan@ucop.edu>]

Sent: Wednesday, May 01, 2013 4:51 PM

To: President; Nathan Brostrom

Cc: provost@ucop.edu; Peter Taylor; Nina Robinson; Todd Greenspan; Yvonne Perrelli; Jane Schnorrenberg; UCACOUN-L@LISTSERV.UCOP.EDU; Jackie Shelton; Tenneh Fallah; Andrea Green Rush (agreenrush@berkeley.edu); Cynthia Palmer (cynthiap@ucr.edu); Deborah Karoff; Dejeune Shelton; Diane Hamann; Gina Anderson; Heather Alden; Jaime Balboa; Luisa Crespo; Mary-Beth Harhen; Brenda Abrams; Eric Zarate; Fredye Harms; Kenneth Feer; Michael LaBriola; Todd Giedt

Subject: Academic Council letter regarding increasing contributions to UCRP

On behalf of Academic Council Chair Powell, I enclose his letter regarding the administration's proposal to increase contributions to UCRP. His letter, as well as UCFW's letter analysis of the same subject, are attached in a single pdf.

Best,

Clare Sheridan, Ph.D.
Principal Policy Analyst
Academic Senate

510.987.9467

May 1, 2013

MARK YUDOF
PRESIDENT

NATHAN BROSTROM
EVP, BUSINESS OPERATIONS

Dear Mark and Nathan:

At its meeting on April 24, the Academic Council discussed the administration's proposal to increase contributions to UCRP effective July 1, 2014 to an employer contribution rate of 14% and an employee contribution rate of 8%. ***Council voted unanimously to support this proposal.***

In addition, ***a majority of Council members endorsed UCFW's caveat that support for the proposal should be conditional on a corresponding salary increase of at least 3% for faculty and non-represented staff*** (14 in favor, 3 opposed, 1 abstention). This increase would off-set the combined increases in employee contributions scheduled for July 2013 and proposed for July 2014. While it is essential to return UCRP to fully funded status, it is equally necessary to arrest further decline in total remuneration for faculty. Council is very concerned about the ability of UC to retain its highly accomplished young faculty members. While UC remains successful at recruiting top faculty, younger faculty are mobile. When salaries are not competitive, faculty may seek increases by getting outside offers that will trigger retention efforts. This pattern is both destructive to faculty morale and is not an efficient way to approach salary and retention.

We urge you to provide across-the-board salary increases to partially compensate for increases in employee contributions to UCRP.

Sincerely,

A handwritten signature in black ink that reads "R. L. Powell". The signature is written in a cursive style with a large, prominent "P".

Robert L. Powell, Chair
Academic Council

Cc: Aimée Dorr, Provost and EVP
Peter Taylor, CFO
Academic Council
Martha Winnacker, Senate Executive Director

Encl.



UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW)
J. Daniel Hare, Chair
daniel.hare@ucr.edu

Assembly of the Academic Senate
1111 Franklin Street, 12th Floor
Oakland, CA 94607-5200
Phone: (510) 987-9466
Fax: (510) 763-0309

April 18, 2013

**ROBERT POWELL, CHAIR
ACADEMIC COUNCIL**

RE: UCRP contribution rates effective July 1, 2014

Dear Bob,

The University Committee on Faculty Welfare (UCFW) was asked to consider the proposal by Executive Vice President Nathan Brostrom to raise the employer contribution rate to the UC Retirement Plan (UCRP) to 14% and the employee contribution rate to 8%. Both increases would be effective July 1, 2014. UCFW supports the increase in the employer contribution rate but can only conditionally support the increase in the employee contribution rate.

The Academic Senate has consistently supported the principle to fully fund UCRP through rising employer and employee contributions and through other measures under the powers delegated to the President.¹ Recently, the Academic Council unanimously endorsed UCFW's recommendation, based on the advice of TFIR, that the University adhere to the plan and timeline approved by the Regents in 2010 to increase employer contributions to UCRP until the Annual Required Contribution is met.² UCFW fully supports the proposed increase in the employer contribution rate to 14% and anticipates further increases in the employer contribution rate in coming years in order to meet the Regents' funding policy for UCRP.

The proposed employee contribution rate of 8% exceeds the Senate's long-standing position that employee contributions should not exceed 7%.³ Between April 2010, the time that employee contributions were re-started, and July 2013, the value of take-home pay will have declined by a total of 10% due to inflation (6.5%)⁴ plus the restart of employee contributions (an additional 6.5%), offset by only one 3% salary increase, in October 2011. This proposed increase in employee contributions to 8% for UCRP would reduce take-home pay by an additional 1.5%. UCFW would not oppose the increase in employee contributions to 8% provided that such an increase is accompanied by an across the board pay raise for faculty (and non-represented staff) of at least 3%. A 3% increase would merely compensate for the two most recent 1.5% increases in employee contribution rates effective on July 1, 2013 and July 1, 2014; any increase greater than 3% would constitute a small step toward restoring competitive salaries.

¹ <http://regents.universityofcalifornia.edu/minutes/2010/joint12.pdf>

² <http://senate.universityofcalifornia.edu/reports/tfir-reaching-ucrp-required-contribution.pdf>

³ http://senate.universityofcalifornia.edu/reports/DS_MGYrePEBpplandSTIP.pdf

⁴ Calculated from the average monthly inflation rate from April, 2010 through January, 2013 projected to July 2013, <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.txt>

UCFW asks that you present this to the Academic Council for consideration and endorsement as the Academic Senate's position on the proposed increases in employer and employee contribution rates to UCRP effective July 1, 2014.

Please let us know if you have any questions or concerns.

Sincerely,



J. Daniel Hare, UCFW Chair

Copy: UCFW
Robert Powell, Chair, Academic Council
William Jacob, Vice Chair, Academic Council
Martha Winnacker, Executive Director, Academic Senate



EXECUTIVE VICE PRESIDENT—
BUSINESS OPERATIONS

OFFICE OF THE PRESIDENT
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200
510/987-9029

May 3, 2013

Robert Powell
Chair, Universitywide Academic Senate

Re: Proposed UCRP Contribution Rates Beginning Plan Year 2014-2015

As discussed at the April UCFW meeting, we will be proposing for action at the July Regents meeting the following UCRP contribution rates beginning Plan Year 2014-2015:

Member Class	University Contribution Rate on Covered Compensation ¹	Member Contribution Rate on Covered Compensation (1976 Tier) ²
Non-Safety ³	14%	8%

The member rate is a portion of the Normal Cost. The University rate is the balance of Normal Cost; with the remainder applied to interest on the unfunded actuarial accrued liability of UCRP. The proposed rates and their timing are consistent with financial modeling previously presented to The Regents and UCFW / TFIR. These UCRP rates are separate from the additional location assessment for borrowing.

The proposed contribution rates will increase incrementally from the 12% / 6.5% rate effective beginning FY 2013-2014 due to the level of state support for UCRP and the adverse impact that a faster rate of acceleration would have on location budgets, and in consideration of the competitiveness of UC's total remuneration.

Please let us know if you have questions.

Sincerely,

Peter J. Taylor
Executive Vice President - Chief Financial Officer

Nathan Brostrom
Executive Vice President

¹ The University rate will apply uniformly to all 1976 Tier and 2013 Tier members.

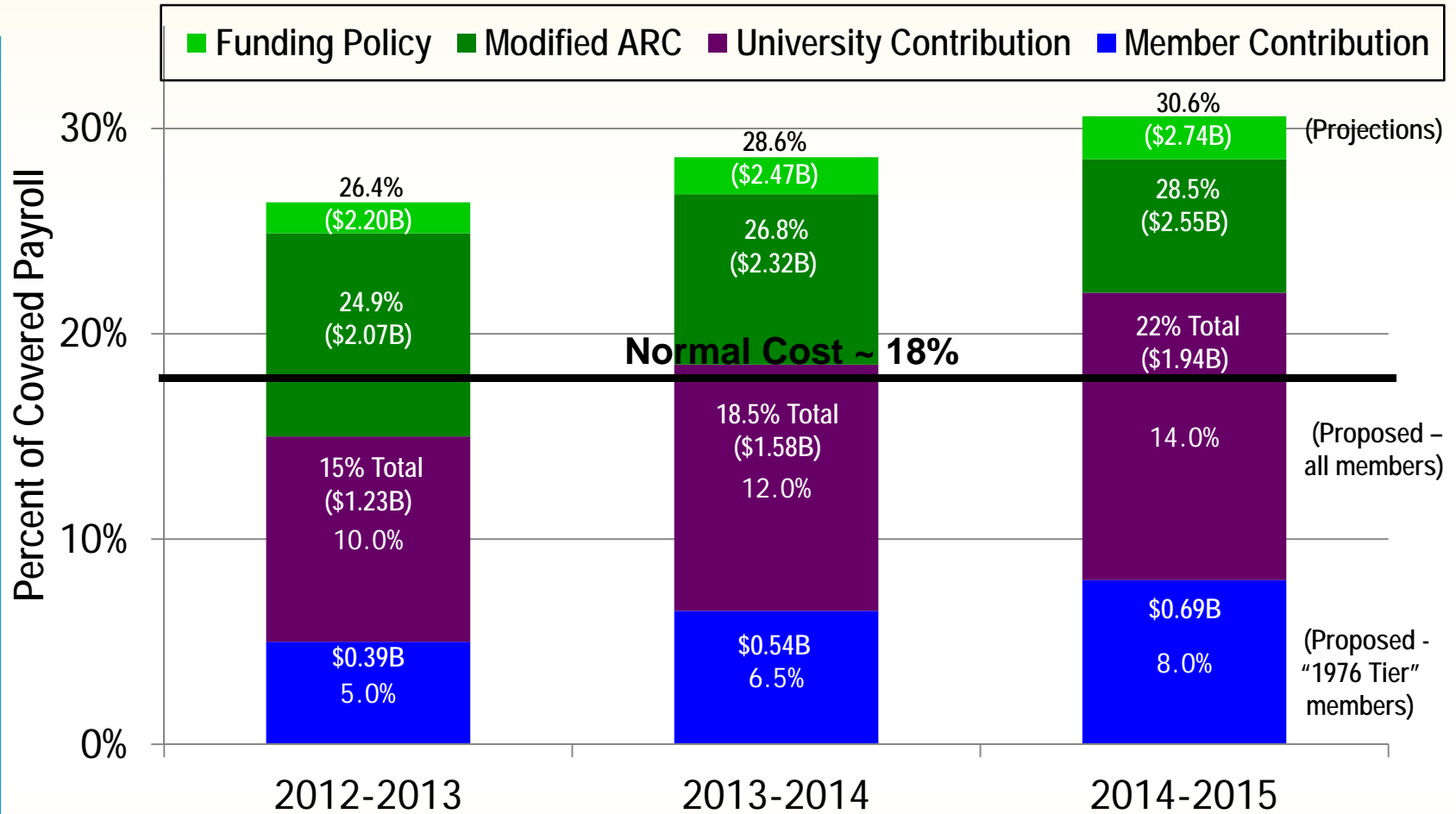
² Member contributions are pretax; 1976 Tier member rate is offset by \$19 per month. The Member contribution rate for 2013 Tier members was previously approved at the 7% level (with no \$19 per month offset); there is no change proposed at this time for the 2013 Tier member rate. Member rates are subject to collective bargaining, as applicable.

³ The proposed Member contribution rate for Safety members will be 9% less \$19 per month and will remain at 0% for members with Tier Two Benefits.

Attachment

cc: President's Cabinet
Universitywide Academic Senate Vice Chair Jacob
Vice President Duckett
Executive Director Schlimgen
Executive Director Winnacker
Specialist Reicher

UCRP Contribution Illustration



UNIVERSITY OF CALIFORNIA



- Results based on July 1, 2012 actuarial valuation and assume 7.5% market value return per year beginning July 1, 2012.
- Member contribution rates shown apply to non-safety members who became members prior to July 1, 2013; offset of \$19 per month applies; all member contributions subject to collective bargaining, as applicable. Contribution amounts (\$) are based on projected campus/med center payroll for all members. All rates shown for 2014-15 are projections and not final.
- Employer rates exclude the extra assessment to pay back internal / external financing.