

Facts about the UC Post-Employment Benefits Task Force

The pension and health benefits that UC offers retirees and their beneficiaries play a critical role in the University's recruitment and retention efforts and in recognizing the many contributions of its employees in serving the needs of the public. However, as UC pension and retiree health benefit costs continue to substantially increase, sustaining these retirement benefits is increasingly difficult with each passing year. To help the University develop a comprehensive, long-term approach to post-employment benefits, UC President Yudof has established a task force to study and recommend funding, policy and benefits design alternatives.

The rising financial challenges of providing good retirement benefits

UC Retirement Plan: Currently, UC pays out approximately \$1.5 billion annually in pension benefits, including continuing monthly pensions and one-time lump sum cashouts. The Plan each year accrues an additional \$1.3 billion in liability for all active members earning additional benefits. Overall, the funded status of the UC Retirement Plan has been declining and is expected to continue to decline from its current funded status of 95% to 61% in 2013, even with contributions scheduled to resume in April, 2010.

Retiree health insurance: UC currently pays, out of operating revenue, approximately \$225 million each year to provide health insurance to retired employees. These cash costs are projected to continue to increase at a rate of about \$37 million per year to \$373 million by 2013, and to \$610 million by 2018. These costs are accounted for on a "pay as you go" basis with each location paying an annual assessment based on their payroll salary costs.

Additionally, the unfunded liability for retiree health insurance--the projected total cost for retiree health insurance for the life of current and future retirees--will increase from \$13 billion today to \$18 billion by 2013 and to nearly \$26 billion by 2018. Governmental accounting regulations now require that employers include this liability in their financial statements, which means it must be reported annually on UC's financial statements. Such a significant liability could affect UC's credit rating when seeking funding for campus buildings, hospitals and other bond-funded programs.

New task force to research options for sustainable retirement benefits

With the support of the Board of Regents, UC President Mark Yudof has created a Task Force to develop a comprehensive, long-term approach to UC obligations for post-employment benefits. The Task Force will study and make recommendations regarding the long-term funding, benefits policy, and benefits design alternatives for retirement benefits for UC faculty, staff and retirees. In its deliberations, the Task Force is expected to consider the issues of market competitiveness, workforce behavior and development, affordability, and sustainability. President Yudof has asked the Task Force to balance the perspectives of the long-term costs of UC post employment benefits and the need to maintain competitive post-employment benefits in order to recruit and retain quality faculty and staff for the University. As the Task Force considers benefit alternatives and makes recommendations to the President, they will take appropriate action to observe all requirements for notice, consultation, and meeting and conferring under the Higher Education Employer-Employee Relations Act (HEERA).

President Yudof has appointed a **Task Force that consists of two components: Steering Committee and Work Group**. Representatives from a cross section of UC stakeholders including the Academic Senate; campus, medical center leadership, as well as staff and retiree representatives are serving on the Task Force. Members of the Steering Committee and Work Group will be asked to participate on one of three Work Teams on Finance, Pension and Retiree Health.

Task Force Steering Committee members include:

Katherine Lapp, Executive Vice President, Business Operations; Task Force Chair
Marie Berggren, Senior Vice President and Chief Investment Officer
George Blumenthal, Chancellor, UC Santa Cruz
Mary Croughan, Chair, Academic Senate
Dwayne Duckett, Vice President, Human Resources
Mark Laret, Chief Executive Officer, UC San Francisco Medical Center
Patrick Lenz, Vice President, UC Budget Office
Lawrence Pitts, Interim Provost and Executive Vice President, Academic Affairs
Henry (Harry) Powell, Vice Chair, Academic Senate
Charles (Charlie) Robinson, Vice President and General Counsel, Office of the President
John (Jack) Stobo, Senior Vice President, Health Sciences & Services
Peter Taylor, Chief Financial Officer, Office of the President
Larry Vanderhoef, Chancellor and Provost, UC Davis
Frank Yeary, Vice Chancellor, UC Berkeley
Randy Scott, Executive Director, HR Strategic Planning and Workforce Development

Task Force Work Group members are:

Edward Abeyta, Staff Advisor Designate to the Regents
Robert Anderson, Professor of Economics and of Mathematics, UC Berkeley
Jeffrey Blair, Deputy General Counsel, Office of the President
James Chalfant, Professor of Agricultural and Resource Economics, UC Davis
Marian Gade, Chair, Council of UC Retiree Associations (CUCRA)
Helen Henry, Professor of Biochemistry and Biochemist Emeritus, UC Riverside
Charles E. Hess, Chair, Council of UC Emeriti Associations (CUCEA)
Karen Hull, Associate Vice Chancellor and Chief Human Resources Officer, UC Davis
Lin King, Chair, Council of UC Staff Assemblies (CUCSA)
David Kliger, Provost, Executive Vice Chancellor, UC Santa Cruz
Richard Kronick, Professor of Family and Preventive Medicine, UC San Diego
John Meyer, Associate Vice Chancellor, Planning and Budget, UC Davis
Debora Obley, Associate Vice President, Budget Operations, Office of the President
David Odat, Executive Director and Chief Human Resources Officer, UCSF Medical Center
John Plotts, Assistant Vice President, Financial Management, Office of the President
Patricia Price, Interim Executive Director, Academic Personnel, Office of the President
Steve Relyea, Vice Chancellor, Business Affairs, UC San Diego
Melvin Stanton, Associate Chief Investment Officer, Office of the President

The Task Force plans to hold a number of listening sessions at UC locations in the fall to give faculty, staff and retirees the opportunity to ask questions and share perspectives.

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