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A Union of Professionals

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August 26, 2019

To: Members of the UCRS Advisory Board

Re: Unfair proposal to increase employee share of new UCRS normal cost

Dear Members of the UCRS Advisory Board,

I am writing you on behalf of my own union, the UC-AFT, and all UC employees who have an interest in the UC retirement system.

Based on the results of UC's latest experience survey, the "normal cost" of the pension has increased from 17.9% of payroll to 19.7%. The plan UC presented at the UCRS Advisory Board meeting and at the Regents' meeting in July to cover this was for the increase to be carried on the employer side. Several of the Regents objected to this plan and requested that UCOP return at a future meeting with a proposal where employees split the cost of the increase.

UC, when they created UCRS and wanted to woo employees away from CalPERS, promised that UCRS would never cost employees or the state more than CalPERS does. The UC Regents Special Committee on Pensions and Retirements stated "the Regents of the University of California can provide a pension system that shall afford to its members substantially the same benefits as those afforded by the State Employees' Retirement System, except that such system shall not provide pensions or retiring allowances in excess of 80% of the average of the highest three years of salary; and that the Regents can institute such a system with less expense to the State of California and at no greater expense to the members of said system." (https://oac.cdlib.org/ark:/13030/hb8m3nb8x1/?brand=oac4)

That is now a seventy-year-old statement, and much has changed since then. But it is certainly fair to say that UCRS is often compared and contrasted with CalPERS, including by talented people choosing between work at UC and the state, and that CalPERS is doing a much better job of protecting employees from the bad investment decisions of the past or the increasing costs of the future than UC is.

Currently, most CalPERS employees pay 7.25% of payroll into CalPERS. UC employees usually pay 8% of payroll into UCRS. The current employer rate for CalPERS is 30.997% of payroll, while UC's current employer share is 20%. (CalPERS rates: https://www.calpers.ca.gov/docs/circular-letters/2019/200-030-19.pdf, UCRS current rates: https://regents.universityofcalifornia.edu/regmeet/july19/f4.pdf)

UC is already breaking the promise it made to employees to entice them to give up CalPERS and allow UC to create UCRS, and the Regents just asked UC to come up with proposals that would make that violation worse. Meanwhile, relative to other state employers, UC has plenty of room on the employer side to raise contribution rates. We ask that the Regents, at minimum, implement UCOP's original plan for paying for the new normal cost.

Thank you for your attention to our concerns,
Sincerely,

John Rundin, Vice-President for Legislation
UC-AFT