The teleconference began at 9:05 a.m.

PUBLIC COMMENT PERIOD: CUCFA Vice President Claudio Fogu stated that UC salaries for new faculty members are below those of UC’s competitors which, coupled with California’s high cost of living, makes it difficult for UC to recruit new faculty. He indicated that an increase in UCRP member contribution rates would further reduce members’ total remuneration, exacerbating UC’s recruitment problems. He urged the Board to share his thoughts with the President to help convince her not to recommend an increase in UCRP member contribution rates. AFSCME Local 3299 representatives Claudia Preparata stated that AFSCME and all other unions oppose an increase in UCRP member contribution rates, which they equate to a pay cut. She noted that AFSCME members already contribute 9% to UCRP. She also urged the Board to share her comments with the President. Teamsters Local 2010 representative Jason Rabinowitz said that the Teamsters also strongly oppose an increase in UCRP member contribution rates. He stated that such a rate increase would severely impact
roughly 10,000 clerical workers, who are among the lowest paid UC employees. He also stated that the salaries for UC skill trade employees are lower than market rates. He asserted that Teamsters’ members rely on secure and affordable retirement benefits, the value of which have steadily depreciated as member rates have risen from zero to between 7% and 9% in less than ten years. CNA representative Ben Elliott indicated that CNA stands in solidarity with other unions in opposing a UCRP member rate increase. He noted that CNA was willing to strike over a similar increase in 2013 and would be willing to strike to prevent a UCRP member rate increase now, which he characterized as an attack on workers.

COMMENTS FROM THE VICE CHAIR: The Chair thanked the guests for their comments. He then asked Executive Director Schlimgen to summarize the proposed recommendation and alternatives for potentially increasing UCRP member contributions that could be presented to the Regents in November 2019.

NOVEMBER 2019 REGENTS ITEM – SUMMARY: Executive Director Schlimgen began by noting that the Regents want members to share some of the increase in the Plan’s Normal Cost and specifically requested that options for increasing UCRP member contribution rates be presented to them at their meeting in November 2019.

As he did for the Board’s ad hoc videoconference on August 30, 2019, Executive Director Schlimgen provided background on what had transpired since the July 2019 Regents meeting. He noted that the Regents’ Finance and Capital Strategies Committee (Committee) deferred action on the applicable July 2019 Regents item as the Committee disagreed with Segal Consulting’s recommendation for lowering the Plan’s assumed investment return from 7.25% to 7.0%. He mentioned that the Committee members had requested that a lower UCRP investment return assumption of 6.75% be presented to them at their September meeting. The Committee members also felt that improved life expectancy was a windfall for UCRP members and therefore requested options for increasing both UCRP employer and member contribution rates be presented in September.

Executive Director Schlimgen stated that the Regents approved the 6.75% assumed investment return for UCRP at their September 2019 meeting, along with changes to some of the Plan’s actuarial assumptions. As a result of these changes, the Regents were informed that the Plan’s Normal Cost was expected to increase by 3.1% (from 18% to 21%). Consequently, the Regents also approved a 3% UCRP employer contribution rate increase, phased in at .5% per year over six years, beginning July 1, 2020. However, he noted that the Regents deferred action with respect to increasing the UCRP member contribution until their November 2019 meeting. He noted that the Regents specifically asked for several member rate increase options, including at least one that lessened the impact on lower-paid members.

Referencing a presentation deck shared with the Board, he proceeded to summarize the latest options for potentially increasing UCRP member contribution rates, but stated that they were still considered drafts that have not been reviewed or approved by the President. Based on the feedback from faculty and staff, he noted that the proposed baseline option would be that no UCRP member rate increase be approved or implemented for the immediate future. The first alternative (i.e., option #2), which aligns with the Regents desired cost-sharing and contribution schedule, would increase the UCRP member rate by .25% per year over six years, beginning July 1, 2020. This alternative would result in a total member rate increase of 1.5%, representing 50% of the employer rate increase over the same six-year
period. Since this alternative applied the rate increase to all members’ covered pay, he indicated that it would not lessen the impact of the increase on lower-paid members. The second alternative (i.e., option #3) would use the same .25% per year increase over six years beginning July 1, 2020, but would only be applied on covered earnings in excess of one-half the PEPRA limit, which is currently just a bit over $124,000. So, the rate increase under this second alternative would only be applied on covered earning in excess of approximately $62,000, subject to annual indexing based on increases in the PEPRA limit. This alternative was designed to lessen the impact on the lower-paid since any UCRP member making less than $62,000 per year would not be subject to a rate increase. He stressed that any member rate increase would be subject to collective bargaining for represented members.

Turning to the finals slides in the presentation deck, he summarized each alternative’s financial impact on UCRP. He noted that additional member contributions to UCRP after six years would be zero under the baseline option, $560 million under the first alternative, and $248 million under the second alternative. Actuary Paul Angelo from Segal Consulting added that the additional member contributions under either alternative, while helpful to UCRP, would not have a significant impact on its future funded status. He noted that UCRP is projected to be nearly fully funded within 30 years if all assumptions are met, even without a member rate increase.

Executive Director Schlimigen concluded by noting that only the baseline option (i.e., no member rate increase) really addressed faculty and staff concerns. He added that if either of the alternatives were approved by the Regents as currently drafted, a rate increase would be applied to policy-covered members years before it could be applied to most represented members due to several long-term, closed bargaining contracts.

**COMINGLED BOARD MEMBER COMMENTS:**

The Board members were in agreement in voicing disapproval of a UCRP member contribution rate increase, at least within the near future. Similar to the comments they made during their ad hoc videoconference on August 30, 2019, the Board members stated that a rate increase is essentially a pay cut for UCRP members, and would most adversely affect lower-paid members. They also felt that the potential member rate increase was being rushed and that a further analysis of its impact on take-home pay, and UC’s competitiveness, should be undertaken before any such increase is considered.

The two Academic Senate representatives added that the Regents should focus on UCRP’s unfunded liability and its long-term funded status, and that a member rate increase was not a viable solution for UC’s funding shortfall. They also stated that should a member rate increase be approved by the Regents in November, it should not be implemented next July, as roughly half of all current active UCRP members are presently covered by closed, long-term bargaining contracts. They indicated that any approved member rate increase should not be implemented until it can be applied to at least 50% of represented members. They further stated that in 2010, when then President Yudof formed a task force to recommend options for safeguarding the financial sustainability of UC’s post-employment benefits, the Academic Senate strongly advocated for an 8% cap on member contributions and that member contributions not exceed 50% of UCRP’s Normal Cost. They noted that some member groups already contribute more than 8% to UCRP and that a slide in the presentation deck shows the Plans Normal Cost declining in future years. Thus, if a member contribution rate is approved, many more members would soon be contributing more than 50% of the Plan’s Normal Cost.
The meeting closed with a consensus of Board members agreeing that the Chair should send another letter to the President expressing the Board’s views regarding a UCRP member contribution rate increase.

The videoconference ended at 10:02 a.m.