UNIVERSITY OF CALIFORNIA, SAN DIEGO UCSD

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO SANTA BARBARA • SANTA CRUZ

DEPARTMENT OF ECONOMICS, 0508
(858) 534-7040 FAX
(858) 534-3383

9500 GILMAN DRIVE
LA JOLLA, CALIFORNIA 92093-0508

Prof. Ross M. Starr
Chair, UCRS Advisory Board
rstarr@ucsd.edu
October 26, 2011

President Mark Yudof
University of California Office of the President
1111 Franklin St.
Oakland, CA

Re: UCRS Advisory Board meeting of 10/24/2011 regarding UCRP employee contribution rates

Dear President Yudof:

The UCRSAB met by teleconference on Monday, October 24, to discuss the Regents Item recommending an increase in employee UCRP contribution rates to 6.5% of salary effective July 1, 2013. The advisory board includes officers of UCOP, faculty and staff retiree representatives, active staff and active Academic Senate representatives. There were areas of universal agreement and areas of disagreement. Note that University Counsel advises that the board should not make formal recommendations.

Since there is a presumption that the Regents' item will be approved, I think it is most useful to begin with the Board member comments recommending rejection of the contribution increase.

<u>Recommending rejection of the rate increase:</u>

1. Issues like this are raised in isolation, but proposals that entail substantive changes to benefits should include modeling of their combined effects on current total remuneration, workforce recruitment and retention, and the University's excellence.
2. Personal hardship. Employees' contributions to UCRP --- when this item is approved --- will have gone from zero to 6.5% of salary in four years, without corresponding increase in salary.
3. Employee contribution rates prior to the contribution holiday of the 1990's and 2000's were significantly lower, at 4%.
4. Erosion of University quality as compensation differential vs. competing employers grows to the University's disadvantage, currently at approximately 10% discount relative to comparable institutions.
5. The contribution increase brings UC perilously close to the 7% contribution cap recommended by the Academic Senate.
6. An 8% employee contribution rate is currently used by the UCOP CFO projecting UCRP funding adequacy to 2039. That rate is excessive and makes very little difference in eventual funding adequacy by 2039.

Recommending acceptance of the rate increase

1. A contribution increase is a step in the right direction, putting UCRP finances on a solid footing.
2. A 6.5% rate is comparable to contribution rates at other California state institutions, PERS, STRS.
3. For retirees of long standing, those retired in the 1990s, it is in part a matter of fairness. They did not benefit significantly from the contribution holiday, but do suffer from inadequate COLA’s. Improving UCRP financing is important to their security.
4. An important step in encouraging state government to renew its contribution to UCRP funding.
5. Projected salary increases of 3% help to offset contribution increases, competitive pressures, and hardship.
6. UC has not used the flexibility provided by recent IRS rulings to enhance the UCRP pension benefits of high salaried UC executives.
7. Competitive total remuneration for faculty and staff implies the need eventually to increase salaries as funding allows, but funding UCRP is a priority and is required to provide secure benefits for both existing and future retirees.

Point of Consensus of the Advisory Board

1. Board members believe that UCRP must be adequately funded. All believe that UC should try to get the state to contribute to UCRP on behalf of state-funded UC employees.

This memo is intended as an unbiased summary of points raised in the teleconference. Please feel free to get in touch for further discussion should that be required.

Yours truly,

Ross M. Starr

Ross M. Starr
Professor of Economics, UCSD
Chair, UCRS Advisory Board