

Council of University of California Emeriti Associations  
Council of University of California Retirees Associations  
Joint Meeting  
October 29, 2015  
UC Davis

Attending

UC Berkeley: Marian Gade, Caroline Kane, Antonia Sweet, Louise Taylor  
UC Davis: Marjorie Ahl, JoAnne Boorkman, Mike Chandler, Janet Hamilton, Charles E. Hess,  
Richard Keller, Deana Falge Pritchard, John Meyer, Dave Shelby  
UC Irvine: Jeri I. Frederick, Glen Gilbert, George Miller, Marianne Schnaubelt  
UC Los Angeles: Albert E. Aubin, Betty L. Chang, John Dahl, Ragini Gill, Adrian Harris,  
Daniel J.B. Mitchell  
UC Merced: Jay Lomeli  
UC Riverside: Bob Daly  
UC San Diego: Richard Attiyeh, Rich Belmontez, Marjorie Caserio, Henry E. Powell,  
UC San Francisco: Gail Harden, Robert Levin, Ernest Newbrun, Sandra Norberg, Rod  
Seeger  
UC Santa Barbara: William Ashby, Dick Jensen (also UCSC), Robert Mann, W. Douglas  
Morgan  
UC Santa Cruz: Roger Anderson, Lee Duffus, Dominic Massaro, Rebecca Skinner, Patt  
Takeuchi  
LBNL: Janis Dairiki, Don Grether  
LLNL: Jeff Garberson, John Pitts  
UCOP: Jim Dolgonas (PARRA), Kris Lange (Vendor Relations), Joe Lewis (RASC), Ellen  
Lorenz (RASC), Booker McClain (PARRA), Susan von Seeburg (PARRA), Michael  
Waldman (RASC),

Call to Order and Campus Welcome

The meeting was called to order at 9:03 a.m. by co-chair Lee Duffus, who introduced Rick Keller of the UCD Retirement Association.

After thanking Sue Barnes and Marjorie Ahl for their superb organization of our meetings, Mr. Keller acknowledged the recent passing of longtime Chancellor Larry Vanderhoef.

He then gave a brief history of the development of the southeast edge of the Davis campus, which has recently seen the construction of the Walter A. Buehler Alumni Center (site of our meetings), the Mondavi Center for the Performing Arts, the Conference Center and Welcome Center, the Hyatt Place Hotel, and the art gallery currently under construction. These capital projects were driven by a campus plan to more effectively open up the campus to the local community.

Introductions

Lee Duffus invited attendees to introduce themselves.

## Approval of Minutes

John Pitts presented the minutes of the April 23, 2015 Joint Meeting at UC San Diego. The minutes were approved as written.

## Joint Benefits Committee Report and Discussion

Dick Jensen presented highlights of the following report:

Our report includes follow-up on our earlier recommendations, new topics, and observations relevant to retirees.

**Beneficiary Designation:** Our last report observed limitations by Fidelity's options and records, and the importance of accurate/proper beneficiary designations in our retirement accounts.

Tax-Deferred accounts are continuing to grow as a means of providing retirement income and in many cases, as Defined Benefit Plans are replaced by Defined Contribution Plans, becoming the main source of retirement funding. Given the increasingly important role of tax-deferred plans as a major source of family wealth and wellbeing, the importance of being able to *correctly* designate primary, secondary, and tertiary beneficiaries becomes even more important.

Federal retirement and tax laws regarding designation of beneficiaries require explicit designation of beneficiaries. Since these retirement savings accounts are tax-deferred, explicit instructions by the account holder are required to retain the tax-deferred status. If these tax-deferred accounts are not transferred to real people as beneficiaries, the funds could become immediately taxable – thereby reducing by as much as 35% the amount realized by the ultimate heirs. Special care and estate planning legal advice is typically helpful in managing these assets.

Given the special nature of Beneficiary Designation, we have requested that Fidelity be asked to improve their processes and asked UC to include information about Beneficiary Designation in their notifications, publications, and tutorials. UC has included information in *New Dimensions* and some of the materials for preparation of retirement. Fidelity has enhanced its web site to make beneficiary designation more obvious – but they provide none of the admonitions that might lead a person to designate a beneficiary for which such funds would result in an immediate taxable event, nor have they enhanced their web site to allow the selection of beneficiaries beyond the “primary” and “contingent” levels. For example they provide four choices 1) A Person 2) An Organization 3) An Estate, and 4) A Trust. The last two of which could result in immediately taxable events and the loss of the tax-deferred status of the funds.

(We observe that the new 2016 UC Defined Contribution Plan is likely to need special attention about beneficiary designation.)

**Anthem Data Breach:** Participants whose records may have been breached received notice from Anthem of the event and received information on free monitoring support. We had asked that UC set up a reporting mechanism to help assess the extent to which UC participants are being affected and helping to determine how it might be affecting them.

Since that request, UCLA Medical Center records were reported to have been breached affecting, at least, some of our members who have expressed concern that no specific guidance has been provided for 1) dealing with breaches or 2) reporting of problems from any breaches.

Our recommendation continues: that UC establish a protocol for reporting and monitoring data breaches in order to maximize lessons learned and to minimize further damage. Our recommendation last April was:

"Because the letter from Anthem is complex and somewhat unclear or confusing, and further because we have received comments and questions from several confused individuals, we suggest that OP or General Counsel be asked to prepare a detailed document which complements the Anthem document, spelling out all of the possible actions that individuals can take, and explaining fully the potential positive and negative elements of taking each action."

**New Items** that have occurred since our Spring meetings in San Diego:

**VSP Consultation:** UC officials queried CUCEA and CUCRA representatives about possible changes in coverage and cost of the Vision Service Plan for 2016. The ultimate conclusion of both groups was to recommend retaining the current plan with no increase in cost – a recommendation which UC and VSP retained.

**Medical Plan Satisfaction Survey:** In 2014 UC did a survey the results of which were shared with CUCEA and CUCRA – generally expressing satisfaction with current coverage and programs. CUCEA's Chair requested that Medicare covered and out-of-state annuitants also be surveyed in the next such survey.

**Newer Topics:**

**Changes & Full Information:** Several of our Associations have expressed concerns that local medical coverage may be lost in response to a larger role for UC Care. The recent problems with Sutter Health providers may have made that more problematic in Northern California. Given the rapidly changing health care environment, we recommend UC do all it can to minimize speculation and to enhance information availability.

**Drug Costs:** Costs of prescription drugs and the limitations of the formulary are always concerns, but recent dramatic increases in drug costs create alarm in the health care community and have become a political problem.

Is it possible for UC to make a statement to our government(s) about the adverse effect of how this affects health care programs and impedes our efforts to obtain access to good health coverage?

**Additional Topic for CUCEA/CUCRA:** The University is promoting wage increases intended to provide a minimum level of \$15/hour. President Napolitano announced: "This is the right thing to do - for our workers and their families, for our mission and values and to enhance UC's leadership role by becoming the first public university in the United States to voluntarily establish a minimum wage of \$15."

We observe that many long-term annuitants and/or their spouses who had careers at UC earned their retirement benefits based on pay-rates far below current equivalent pay levels for the time. Their retirement benefits now – even adjusted for inflation – bear little similarity to the emerging minimum standard. We recommend a letter/meeting with the President to bring this matter to her attention and for her action to do "the right thing" for low-compensation annuitants or their spouses.

In regard to the issue of beneficiary designation, Dick acknowledged the help provided by *New Dimensions* in getting the message to our constituents. He also acknowledged some positive response from Fidelity, but noted the need for Fidelity to provide more guidance on the designation of beneficiaries.

On the issue of the Anthem data breach, no response has been received to our recommendation that UC set up a reporting and tracking mechanism in the case of such data breaches. Adrian Harris stated that we should continue to urge OP to issue a statement from General Counsel that clarifies the actions that affected individuals can take, with a description of the positive and negative aspects of each action.

As for the increases in drug costs, Dick noted the political power that UC should be able to wield in this area. UC should develop a mechanism to provide input and to become an advocate for the containment of increases in drug costs.

### Spring 2016 Meeting Preview: UCLA

John Dahl and Ragini Gill distributed a proposed schedule of the Spring 2016 meetings to be held on Tuesday April 26. President Napolitano will be on the UCLA campus and has tentatively agreed to participate in a discussion with CUCEA/CUCRA (hence the change to the Tuesday date). The format proposed is for a one-day meeting, with the Joint Meeting occurring in the morning and with CUCRA and CUCEA meeting simultaneously in the afternoon.

John requested a show of hands as to whether members preferred the traditional two-day format or the proposed one-day format. Opinion was divided, but most preferred a two-day format, if cost were not an issue. Discussion ensued as to whether there would be substantial cost saving to the Associations with the one-day format, since many participants would have to arrive on Monday and spend the night in any case. Daniel Mitchell urged that a full range of options be explored, including teleconferencing.

Roger Anderson and Lee Duffus will discuss this matter further with their executive committees. Lee stated that the meeting date would, in any case, remain on Tuesday, April 26 (owing to President Napolitano's schedule), with Monday, April 25 added if the two-day format is ultimately retained.

### Chief Investment Officer's Presentation and Discussion

Lee Duffus introduced Arthur Guimaraes, Associate Chief Investment Officer and Chief Operating Officer in the Office of the Chief Investment Officer of the Regents.

Mr. Guimaraes distributed two booklets, entitled *Growing Portfolios. Building Partnerships* and *Growing Portfolios. Building Partnerships 2014-2015*.

Mr. Guimaraes's presentation, which mirrored the booklets, highlighted the scale of UC investments (\$98.2 billion market value; one billion in transactions this year) and the

challenges of continuing to grow the UC portfolios in an era of low interest rates and low returns.

## Update on Retirement Administration Service Center, Activities and Discussion

Ellen Lorenz noted that RASC now serves 64,000 retirees and 34,000 former employees. Retirement payments amount to \$2.6 billion. Calls to the Center numbered 113,000 per year. There were 5344 retirements last year (an increase of 13%), 2100 of which took place on July 1. The pace of retirements is expected to continue to rise in coming years. According to a recent survey, 85% of RASC's clients are satisfied or better with the services they have received from RASC, which has met RASC's current goal of an 85% satisfaction rate. It was noted by a representative that UC holds Fidelity to higher performance standards of customer service and suggested that the RASC should consider raising its goals.

Michael Waldman described the "Preparing for Retirement" presentations that are being taken to each campus twice per year. So far 700 active faculty and staff who are contemplating retirement have attended. RASC is planning also to sponsor hosted (interactive) webinars beginning next year.

Michael reported that RASC is still working to revise the retirement election form to allow contact information to be shared with campus Associations. Currently, the information is shared with Centers, but not directly with the Associations. There have been difficulties owing to a change in computer platform. It is anticipated that the revised form will be in use by early 2016.

Jeri Frederick said that Centers receive the data from UCOP three times per year. However, would be much better to receive it monthly. There are many Centers who do not have direct relationships with their campus HR and therefore do not know who is retiring. For those Centers who offer retirees continuing services or EMAILS it is imperative to know who is retiring as soon as possible to ensure services are not cut off in the interim time between UCOP's three yearly reports.

## Update on 2016 Tier Retirement Plan

Roger Anderson suspended the presentation by the representatives from the Office of the President, in order to introduce Lori Lubin, Professor of Physics at UC Davis. Professor Lubin is a member of the President's workgroup charged with designing the new UC Pension tier.

Professor Lubin reminded members that the May revision of the Governor's 2015-16 budget provided additional funding for UCRP, but also dictated that "Pension-eligible pay for the 2016 defined benefit plan for future UC employees must mirror the cap on pension benefits for state employees under the California Public Employees' Pension Reform Act of 2013 (PEPRA)."<sup>11</sup> The new tier will only apply to employees hired after the new tier is implemented.

President Napolitano has stressed to workgroup members that their recommendations must meet two important criteria:

- “The new benefits options must continue to be competitive in the context of total employee compensation;
- The UC Retirement Plan must remain financially sustainable.”<sup>[2]</sup>

According to Professor Lubin, UC’s goal is to reduce costs and provide a greater diversity of choice in retirement plans. (“Generally, future employees are expected to have the option of a traditional defined benefit pension plan with a pension-eligible salary up to the PEPR cap; a defined contribution plan such as a 403(b); or possibly a combination of the two.”)<sup>[3]</sup>

Professor Lubin stated that the workgroup is in the early stages of its deliberations and that nothing has yet been decided.

A question was asked about how the new pension tier might impact excellence at UC. The concern was that given the lag in UC faculty compensation relative to our comparison universities (currently around 12%), the superiority of the UC pension plan has been a key tool in recruiting and retaining both faculty and staff. Professor Lubin responded that the PERPA cap could perhaps be supplemented with other plans (e.g., DCP) for those who exceed it; but she again stressed that nothing has yet been decided.

Roger Anderson thanked Professor Lubin for her participation and asked the representatives from the Office of the President to continue.

#### Update on Retirement Administration Service Center, Activities and Discussion (continued)

Kris Lange reminded us that Open Enrollment began as we were meeting (October 29 – November 24).

The 2015 Medical Plan Satisfaction Survey showed an 85% overall satisfaction rate.

Materials about the 2016 medical plans have been distributed. Changes are relatively small, but costs have risen for most plans. Kris reminded us of the Regents’ plan to reduce funding for the Medicare plans by 3% per year to a floor of 70% UC funding. This year funding is at 74%. There have been some improvements in medical coverage, notably travel immunizations and vaccinations are now covered by all plans. Some new providers have been included with UC Care for non-Medicare retirees (e.g., Cottage Hospital in the Santa Barbara area).

The Health Care Facilitator program is “alive and well” and is an integral part of the Benefits Office of OP, according to Kris. New brochures about the program are available. Funding for the program has been retained at the OP level.

The wellness program, UC Living Well, has been in existence since 2007. It is currently managed by Optum Health. Participation in the wellness assessment has been declining each year. It has been decided to suspend the relationship with Optum Health and to phase out the incentive program managed by Optum Health in 2016. The wellness

program will be evaluated in 2016, to see how it could better mesh with other campus and systemwide programs.

Marion Gade asked whether there were any metrics in place to demonstrate the benefits of the program. Kris responded that there is little data to this effect and that there is no agreement in the industry that wellness programs are cost effective. She also noted that many wellness components are now included in the health plans, which may explain, at least in part, why participation has been declining.

Lisa Wagner then gave an update on the OneExchange Program (for Medicare retirees and family members who reside outside of California). A satisfaction survey was conducted in 2014 (3152 recipients; 56% response rate) and again in 2015 (570 recipients; 49% response). The survey revealed that, on a scale of 1 to 5 (with 1 being “poor” and 5 being “excellent”), overall satisfaction was 3.6 for both years. Nearly 87% of participants were able to cover their full premium cost with the amount provided by UC.

In response to a question, Lisa stated that if an out-of-state retiree returns to California, he or she can stay with OneExchange or chose any one of the plans available to in-state retirees.

## Adjournment

Lee Duffus adjourned the meeting at 1:45.

Respectfully submitted,

William J. Ashby  
CUCEA Secretary

First draft: 11/02/15

Second draft 11/05/15

Third draft 11/07/15

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<sup>[1]</sup> Quoted passages are from: <http://ucnet.universityofcalifornia.edu/compensation-and-benefits/2016-retirement-benefits-advisory-task-force/index.html>