Joint Benefits Committee Report

CUCRA/CUCEA Joint Meeting at UC San Diego

April 24-25, 2019

Action	
Submitted by JBC	April 8, 2019
Approved by CUCRA	April 24, 2019
Approved by CUCEA	April 24, 2019
Response by UCOP	

This JBC report presents our comments and questions about five issues that are important for the members of the Associations represented by CUCRA and CUCEA. These issues are also of considerable interest to active UC employees because they may impact their expected post-employment benefits. We submit this report for approval by CUCRA and CUCEA before asking that the Chairs of CUCEA and CUCRA submit it to UCOP for their comments and answers to our questions and requests.

We are concerned that we have not received a formal, written response from UCOP about our comments, questions and issues in our October 2018 report. That report raised the following issues:

Multi-step authentication
Health care Facilitator access to retiree information
Process to develop charge for the
Retiree Health Benefits Design Working Group (Working Group) for 2019
Changes in MRD requirements
Huron Report
Medical center titles

Although OP provided useful comments about many of these concerns at UCB, a written response would be helpful to document the issues for the record. Review of the minutes should provide the necessary record, if UCOP were to provide a written confirmation of the draft minutes from that meeting. Also, we would like more information about the future of the Working Group and the implementation of the Huron Report.

I. Retiree Health Benefits Design Working Group and Request for Proposals for a new Medicare Advantage Preferred Provider Organization medical plan.

Presently UC has four Medicare plans for its Retirees who are residents of California: Kaiser, High Option, Health Net Seniority Plus, and UC Medicare. Participants who live outside of California are insured by VIA Benefits. However, the University has recently issued a Request For Proposals (RFP) to replace High Option, Health Net Seniority Plus, and UC Medicare plans with a Medicare Advantage Preferred Provider Organization (MA PPO) plan. The responses to the RFP are now under review by a committee comprised of representatives from the Retiree/Emeriti Associations, the

Academic Senate, University Benefits, Represented employees, and the UC Medical Centers. The RFP review committee includes Frank Trueba (UCSC) and Eric Vermillion (UCSF) appointed by CUCRA and Joel Dimsdale (UCSD) appointed by CUCEA. These three representatives will share one score card for the proposals, and Eric Vermillion will coordinate the rankings of the three members of CUCRA/CUCEA to produce a score. The review committee has had several teleconference meetings in March, and two in-person meetings are scheduled for early April.

The University consultants presented to the Working Group some information about this possible change to the UC Medicare plans. However, the possibilities also included at least two less comprehensive options: 1. Replace only one of the present Medicare plans; 2. Institute such a switch only for some regions of the State. Presumably the final decision on the RFP might embrace the more limited options or reject the whole reorganization. The Retiree Health Benefits Working Group did not seriously consider the proposal to replace the present Medicare plans with a MA PPO, and this idea was not included in its report in July 2018. However, some members of the Retiree Health Design Working Group see that there may be benefits by exploring a MA PPO.

An in-person meeting was scheduled for the Working Group on April 10, 2019. However, the meeting was abruptly cancelled on April 4th. Presumably this meeting, if rescheduled, will discuss the RFP. The Working Group's charge, membership, and schedule are not yet set for 2019, but this April meeting would have provided a forum to discuss these issues as well as the future scope of the group's activities. Presently there is discussion of broadening the charge of the Working Group so that its purview would combine Retiree Health Benefits and Overall Portfolio Review.

The JBC is closely following the RFP as this issue is causing much concern among the members of CUCRA and CUCEA. It will also have implications for people near retirement, and the dates at which they retire. We request some answers from UC Benefits:

- What is UC expecting as a successful outcome? Will consolidation save money for UC or participants? What is the effect on Rx prices and costs? How will this improve Retiree health care and control out-of-pocket costs? How will the benefits of a new plan compare with existing plans from the point of view of the Retiree participants? What will be the effect on the Retiree cost for Kaiser if a replacement is found for the three higher priced plans?

II. Access to Retiree and Retirement Information

As we described in our October 2018 report, UC is replacing its legacy retirement information system. The following is part of an announcement sent out by UC Retirement Administration Service Center (RASC) Director Ellen Lorenz on February 15, 2019, to Benefits Managers and other benefits professionals.

The purpose of this note is to provide clarification on the tools and support that will be available to benefits professionals between February 22 and the Roots and UCRAYS portal implementation (summer 2019). We have no choice – it remains necessary to shut down the UCRS/CICS legacy system on February 21 for everyone, including the RASC. The 1983 UCRS/CICS legacy COBOL system, now at *end-of-life, was not designed to operate in a static mode. To alter the functionality of the legacy system would present a significant risk to the Redwood launch as the same resources are currently dedicated to Redwood and the development of the UCRAYS and Roots portals. …*

… the RASC is prepared to provide additional location support during this interim period. Buddies are assigned to each location for urgent, real time support … In addition, a new listserv … will supplement responses needed within the same or next business day.

… the [Human Resources and Payroll] *HRP Administrative System (HRP Admin Tool for retirement calculations and estimates) and the At Your Service Online (AYSO) application will remain open. Projections will use end of January data to estimate retirement benefits (up to the separation date).*

The JBC believes that RASC has a good chance of avoiding serious problems during the rollout of the UC Retirement At Your Service (UCRAYS) and ROOTS portals for Redwood. We are happy that RASC has increased its work force to maintain the listserv and the Buddy system. However, there have been several problems that might be related to the institution of Redwood: First, a delay in the April 2019 issuance of pension checks; second, duplicative checks for part of Part B reimbursement for UCRS; and third, some problems with the distribution of 1095 forms that some tax preparers require to document that retirees have health insurance.

- We hope that the transition will be complete before most new employees start work in the Fall.

- We would like to see the final report about the RASC experience with modernization. This report should be useful for other UC systemwide and campus software projects. Other Universities might also want to see the report.

III. Theft of Pension Payments

We are satisfied that the University has identified at least two sources (property insurance and Fiat Lux) that can cover such losses.

- The JBC asks that UC continue reporting such thefts and their resolution to the University of California Retirement System Advisory Board (UCRS AB), CUCEA, and CUCRA at least two times per year.

IV. Allow UC retirement savings in either UC Total Return Investment Pool (TRIP) or UC Short Term Investment Pool (STIP)

We recommend that the University offer retirees and active employees the opportunity to invest their savings in either STIP or TRIP type funds. Many people will not need much of their savings during a two-year window so a longer-term non-equity fund would be very useful for them. For reference UC has recently issued the statement:

The UC Total Return Investment Pool (TRIP) earned 4.5 percent for the fiscal year ending June 30, 2018. TRIP has earned 4.1 percent over 3 years, 5.8 percent over 5 years, and 6.8 percent over 10 years. The UC Short Term

Investment Pool (STIP) earned 1.7 percent for the year, 1.4 percent over 5 years, 1.4 percent over 10 years, and 3.4 percent over 20 years. …

Clearly the returns from TRIP are significantly greater than for STIP, and we recommend that UC study and set up a program so that Savers can gain similar yields.

• What are the constraints for setting up such a program: minimum term or amount of investment, op-in requirements, timing and payment of Minimum Required Distributions (MRD), … ?

• When can UC implement such a program, as was implied several years ago?

V. Comments, suggestions, and questions about Pension/Savings Choice

The JBC has reviewed a report that is published at least annually: "Retirement Choice Stats". This is item C in the recent UCRS AB agenda:[1] This document presents data about choices that recently hired employees make between enrolling in a Defined Benefit (DB) or a Defined Contribution (DC) program. This is important to both Retirees and Active employees, because this choice may make a large difference in pension payments when Employees become Retirees. Here we offer some observations and suggestions to help UC and new Employees understand the reasons for Pension/Savings choices.

The 2016 Tier for UCRS allows employees hired since July 1, 2016, to make a choice between a Defined Benefit or a Defined Contribution retirement plan. The DB plan can be used for income up to the California Public Employees' Pension Reform Act (PEPRA) limit which is presently $121,388 per year, and DB people with income above that level may make contribution to a supplemental DC plan. For the Savings Choice contributions from all income become a tax deferred savings plan. The University makes different contributions for Designated Faculty and other employees to the DB plans. Employees must choose either the DB or the DC plans within 90 days of hire or they will be placed by default into the DB plan. Good information about both plans is easy to find: Specific overview on Pension/Savings, Overall description of all retirement plans, and Effects of plan choices when leaving employment.

We think it is important that the University monitors the number of new employees who select the Pension, Savings, or Default plans. These data are necessary for future pension contribution commitments by both employees and UC, and these data are reported in the report referenced above in the UCRS AB agenda. The Executive Summary (slide 2 of the Pension/Savings Choice report) states that of the 19,656 eligible employees hired between 1 July 2016 and 30 September 2018, 37% selected Savings Choice, 35% selected Pension Choice, and 28% became default members of Pension Choice. Overall Pension Choice accounts for 63% of the enrollments by new employees. The UC report also finds that new employees with annual salaries less than $70,000 tend to enroll in either Pension Choice Default or in the Savings Plan, whereas higher paid employees favor the Pension Choice plan. However, the recent report leaves open the question about why employees make their choices.

The JBC believes that UC should revisit its reporting of the Pension/Savings choice issue to provide better policy and program definition. We suggest in the following paragraphs some additional data reporting and analysis that should better explain the individual choices and more importantly improve guidance and education for new employee decisions.

Some observations and suggestions:

A. Simply asking the employee for the reason for his/her choice would be the best way to investigate the issue. A short anonymous multiple-choice questionnaire with some open-ended options should be offered after the Pension/Savings choice. The questionnaire might request information such as the following.

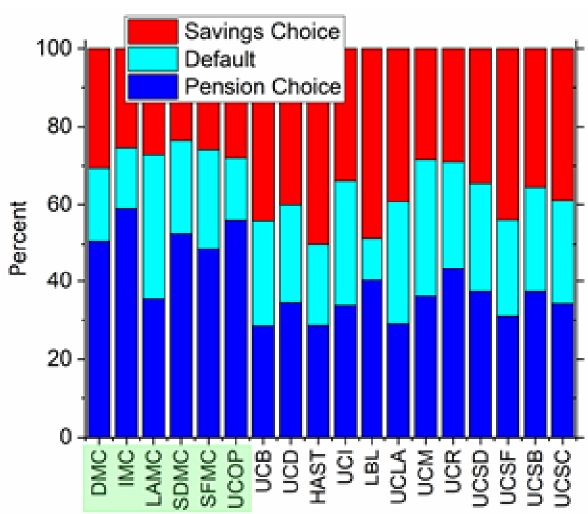
- Selected Savings because: I intend to work at UC for less than 5 years. I already have significant DC savings. My financial advisor or a web search tells me that yields for DC plans are greater than 5.7%. I want to rollover my contributions when I leave UC, and not have to wait until I have more than 30 years of service credit. …

- Selected Pension because: I intend to work at UC for my entire career. As a faculty member the extra 5% contribution is attractive. I am not PEPRA limited now and may not be in the future. I do not expect yield on DC contributions will be better than contributions to the Pension Plan.

- Default: I forgot to sign up. I found it too complicated to decide and did not seek help. I tried the estimator tool but I did not find it useful. I saw no loss by waiting for the automatic Default choice.

These are other possible questions, and the JBC intent here is to ask UC Benefits to consider adding the survey.

B. The UCRS AB item also provides some evidence that there are differences with education and guidance between different campuses and medical centers. The graphic to the left is a rearranged



version of a figure in the UCRS AB report. The Medical Centers along with UCOP (Green highlight on lower labels on left of graph) generally show larger participation in the Pension program than the general campuses (including Hastings). UCLA MC is an outlier in the Medical center group, and the JBC would like to know why this is the case. (Note: We have not applied any statistical analysis.) We also see that the Medical Centers (without UCLA) and Lawrence Berkeley Laboratory tend to have smaller Default percentages. UCIMC, UCOP and LBL have the smallest Default percentages. The small Default percentages indicate more decisive choices, and the JBC believes that the reasons for clearer cut decisions should be elucidated. We would like to know if the more decisive units have better advice or education abut the Pension/Savings choices. It is possible that the overall employee classifications for each unit might explain the data, but this might be a difficult argument for the outlying UCLAMC.

C. The JBC also suggests some improvements to the Pension/Savings modeler. We believe that the new hire client should have more control over the inputs and in viewing the results. Some specific suggestions:

- The client should be able to review the expected retirement income in either future or present dollars. The effects of inflation may be difficult to interpret, but results in constant (say 2019 dollars) are more understandable for most people.

- The client should be able to change options such as Faculty / Staff status, Expected years of work at UC, and Axis scaling. People should see the effect of different assumptions about growth of savings. Input for expected salary growth should be included (for instance use information in UC's Actuarial Reports for Faculty/Staff), What return will people obtain for inactive contributions with Pension Choice? Provision for prior contributions to DC plans should be included. The estimator should also provide links to interpreted results showing the reasons for the "hockey stick" appearance of many of the simulations.

D. Review guidance that UC provides for Pension/Savings choice. The JBC notes that UC Benefits offers many resources that may be used by new hires.

- How many employees take advantage of the advice? How many use the estimator?

E. Some further issues that should be summarized in the Pension/Savings report:

- Correlate choice with job titles.
- Keep track of the time that Savings choice members remain at UC.
- Compare the participation data per unit for the years 2016, 2017, 2018, … to see if percentage choosing Pension or Savings is constant.
- Report number of Savings Choice members who have asked to change to Pension Choice.

We hope that some of our suggestions are adopted so that more employees can make the best choice for their circumstances.

We offer this fairly detailed analysis of Retire Choice in this JBC report, but we also intend to present a similar analysis for Retirement Savings and Retirement Readiness in future JBC statements.

Respectfully summitted by the **Joint Benefit Committee:**

Adrian Harris (UCLA)	Appointed by CUCRA
Randy Scott (UCOP)	Appointed by CUCRA
Joel Dimsdale (UCSD)	Appointed by CUCEA
Dan Mitchell (UCLA)	Appointed by CUCEA
Louise Taylor (UCB)	Selected by JBC
Larry Pitts (UCSF/UCOP)	Selected by JBC
Chair, Roger Anderson (UCSC)	Selected by JBC
Marianne Schnaubelt (UCI)	CUCRA Chair

Joe Lewis (UCOP)	CUCRA Chair-Elect
Henry Powell (UCSD)	CUCEA Chair-Elect
Caroline Kane (UCB)	CUCEA Chair

[1]To view the reports one should open the agenda.pdf file and download it to your digital device. You can then easily view all the parts of the overall agenda and open them with Adobe Reader.