

# REPORT FROM THE JBC TO CUCEA & CUCRA, AT THEIR JOINT MEETING

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4/17/2008

CUCEA and CUCRA function, among other things, as partners and advisors to the Office of the President on matters relating to retirees, annuitants, and retirement benefits. We provide insights and information to aid in the implementation and conduct of programs. Recently, we wrote to The Regents concerning resumption of employee and employer defined-benefit plan retirement contributions, and CUCRA wrote relative to the organization of the Office of The President and the fiduciary obligations of The Regents. That letter regarded the assessment by the Monitor Group of the UCOP functions - functions which appeared much more complex than Monitor seemed to recognize. The responses from the President to the first letter and the Chair of The Regents to the second suggest that our advice is both valued and noted.

There are times in this partnership when CUCEA and CUCRA through the Joint Benefits Committee requests clarification and information so that we may provide realistic and informed advice. Several times recently, our requests for information went unheeded despite reassurances that a response would be forthcoming. It is our hope that we can improve the flow of requested information so as to strengthen the quality of our advice and to improve our understanding of the issues. Following are a number of important issues we discussed at our March 31, 2008 JBC meeting and offer to the broader membership and UCOP:

1. The new **Wellness Program** has not been adequately publicized. Material from the external vendor, StayWell, which comes to individuals, and which requires the provision of their Social Security number, is very frequently tossed away, because of the current sensitivity about identity theft resulting from providing the number to anyone. UC no longer uses the Social Security number within its Human Resources systems, and should provide the same level of security to its members' dealings with outside vendors. Evaluation of the program, including the process used to get individuals to participate, should be undertaken as soon as possible. In addition, either the program should be opened to members of Kaiser, or an essentially similar program should be implemented by Kaiser in the very near future.
2. GASB reporting requirements for **Health Care costs** are unlikely to impact negatively the continuing provision of Health Care at a reasonable cost to all eligible annuitants. A UC GASB Trust has recently been created largely for administrative purposes. Funding this Trust to cover future costs of such benefits needs careful consideration and can be undertaken only over a very long period, perhaps 30 to 40 years. The current practice of providing for the costs of these benefits on a "current year basis" is likely to continue for the present and foreseeable future.
3. Future decisions about **annuitant health care benefit costs** to the individual should take into account the costs paid by annuitants for Medicare Part B coverage, their generally larger co-payments related to many more doctor visits and prescriptions, and the lack of ability to pay for health care costs using before tax dollars, as is the case for active employees through the use of Flexible Spending Arrangements. The cost of health care is the sum-total of premiums, deductibles and co-payments, not just premiums. The specific annual allocations of funds from the State to cover cost-of-living increases for all formerly State Funded annuitants should be used by the University for the purpose intended by the Legislature and Governor. In addition, a comparison of the University health care programs with those provided to State and CSU annuitants should be undertaken on an annual basis. Currently, and for many past years, those annuitants have enjoyed at least comparable benefits at significantly lower personal cost. For example, for Kaiser, which is the only plan offered to both University of California and PERS annuitants, we pay 50% more for each doctor's visit, double for each generic medication and 1/3 more for each non-generic medication.
4. Concerns about the **drug programs** continue to exist, and need to be addressed in the near future. It would appear that the formulary available to annuitants is contracting rather than expanding since the beginning of Medicare Part D. This is one of the most frustrating parts of the Health Care programs.
5. The **plight of those who retired many years ago** continues to worsen. A "brain-storming" session, as previously agreed to by the University, should be arranged before the end of this year. The purpose should be to develop ways to allow those who are living at or below the poverty level to

have a normal life in retirement, as originally envisioned by The Regents when the UCRP was created. For example, faculty and staff who retired between the periods of 1957 - 1987 could only receive a maximum annuity equal to 80% of their salary. Professor Vs, who retired between 1957 and 1977 and who were highly paid compared to other retirees, today have a computed retained purchasing power of between \$13,200 and \$19,600, using the April 2007 UCRP Advisory Council meeting's Attachment I to compute the retained purchasing power sum.

6. The addition of the Chairs of CUCEA and CUCRA to the **UCRS Advisory Board** has occurred, which now places two individuals in seats at the table. This provides CUCEA with a one year membership and CUCRA with a two to four year membership. However, the continuity of our input will continue as long as the current guests, including the Chair of the JBC, are granted "privilege of the floor," on a continuing basis.
7. It is hoped that, in the very near future, those who took the **PERS/VERIP** will be treated in like fashion to those who took VERIP I, as was the original intent of The Regents. The funding that was deliberately not provided originally to ensure **annual COLAs** on the "incentive," is now available due to excess earnings in the established "Trust Fund." These individuals are declining in number each year, and they have only had equitable treatment in two of the last 17 years, since the program began.

We continue to look forward to cordial and cooperative relations with OP staff with whom we deal, for the mutual benefit of the University and its family of annuitants.

- Adrian Harris, Chair, UCLA
- Julian Feldman, UCI
- Jack Fisher, UCSD
- Richard Jensen, UCSC & UCSB
- William Klein, UCLA
- Errol Mauchlan, UCB
- Lawrence Pitts, UCSF
- Louise Taylor, UCB