

# RE: Update from CUCEA Chair on status of UC health and retirement benefits

March 6, 2009

Dear Colleagues,

The following is a significant development which has been discussed at recent meetings of the University Committee on Faculty Welfare (UCFW) and the UC Retirement Service Advisory Board on which I serve as CUCEA's representative.

At its February 6, 2009 meeting, the Board of Regents approved the recommendation for the restart of contributions to UCRP. As part of that action, a Presidential Task Force on Post-Employment Benefits was authorized to develop a comprehensive, long term approach to UC obligations for all post-retirement benefits. The Task Force will make recommendations to the President on the long-term funding, benefits policy, and alternatives for retirement benefits for UC faculty and staff. The Task Force is to take into consideration issues of market competitiveness, work force development, affordability, and sustainability. The goal is to include the Task Force recommendations in the budget and planning cycles for FY 11/12.

The Task Force will consist of and consult with representatives from a cross-section of UC stakeholders, including the Academic Senate, campus, medical center and laboratory leadership and staff representatives. The Task Force will be organized into two teams consisting of a Steering Committee and a Work Group. The Work Group will be under the direction of the Steering Committee and will provide appropriate analysis of the relevant data and assess alternatives. The Steering Committee will forward its final recommendations to President Yudof based on the options evaluated by the work group. Executive Vice President Katherine N. Lapp has invited me to serve on the work group in my role as chair of CUCEA. Marian Glade, chair of the Council of UC Retirees Association (CUCRA) has also been asked to serve on the work group.

The challenges facing the Task force have been increased by the fact that the budget the legislature passed and the governor signed did not include the \$20 million state contribution to the UCRS that had been anticipated when the Regents approved the restart of contributions. Another challenge is that as of December 31, 2008, UCRP has experienced a one year decline of 28.21%. The current market is not improving that situation, as anyone with equities is experiencing. Finally, the Retiree Health Benefits Program cost \$225 million in 2008 and is projected to grow to \$416 million in 2013 when expressed on a pay-as-you-go cash basis. When expressed under the new accounting standards established by the Government Accounting Standards Board (GASB) in 2004, the University has to express the projected cost of retiree health benefits of active employees in addition to the current health benefit costs for retirees. Using this accounting standard, the Unfunded Retiree Health Benefits Program Liability grows from \$13.3 Billion in 2008 to \$18.9 Billion in 2013. Trying to find a solution to deal with declining resources and increased costs will not be an easy task.

This will be a topic for discussion at the joint CUCEA/CUCRA meeting at UCSD on April 30, 2009.

Charley Hess  
CUCEA Chair