

Joint Benefits Committee Report
CUCRA/CUCEA Virtual Joint Meeting at UC San Francisco
October 27-28, 2021 Virtual Meetings

The last JBC Report in April 2021 was devoted to the problems of RASC during the 2020 retirement season. The present report first covers improvements in RASC for retirement experience and survivor benefits. The second section discusses health benefits (Via Benefits, Open Enrollment) and the LLNL Settlement with UC. The third section summarizes our new work on JBC's recommendation about modeling for Health Sciences compensation plan (HSCP) Retirement Calculator, and the final section illustrates some projects we have in progress (Health Insurance Principles with UCOP, Health benefits for retirees living abroad, "Banking" of UC contributions to Medicare retiree health plans, and Modeling of 2016 Pension / Savings Choice pension plans).

I. RASC

A. Retirement Experience 2021

After the disastrous retirement experiences and delayed survivor benefit issues documented in 2020, JBC is pleased to see the progress being made by RASC in 2021. CUCRA and CUCEA Leadership began meeting with RASC in 2020 and continues to have an active dialogue about ongoing issues including information about reorganization changes (i.e., staffing, training and adoption of performance metrics, etc.) and current processing updates. In addition, representatives from CUCEA and CUCRA participated as constituent partners in final interviews with new manager candidates. RASC has also established ongoing communications with the campus Retiree Center Directors, as they often get questions only RASC can answer. These partnership opportunities are incredibly positive steps in helping RASC staff understand the issues and concerns of retirees. Finally, RASC has bolstered their partnership with UCOP Communications, which gives RASC opportunities to help craft the "messages" that are distributed to members. Given the fact that staff has continued to work remotely throughout the year, Zoom has been a beneficial tool in making these connections and communications successful. The Interim Director of RASC has also sent the Chair of the JBC a quarterly report, which concisely summarizes the progress that has been made during the preceding period. The next report will cover the period to September 30. The JBC Chair follows up via Zoom, and the RASC reports will be sent to CUCRA and CUCEA as done in April 2021.

It is noteworthy that five new managers have joined RASC since June in the middle of retirement "season" where retirements increased 23% over 2020. All have "hit the ground running" and made positive contributions helping staff pivot into the new mode of operations and expectations for service. Service issues still occur but with target goals established and processes in place, the 2021 retirement experience has seen fewer and shorter delays; however, targets are still not being met at levels that are

acceptable. RASC has acknowledged that, and staff are actively and creatively addressing ways to reliably meet (or exceed) the service targets.

Areas that still need work include:

1. Updating Call Center menu choices and messages to direct RASC calls during open enrollment will be effective when completed. Some staff will be dedicated to open enrollment questions. Hold waiting and/call back times continue to be a concern.
2. Programming is needed to improve Redwood functionality to facilitate processes that can/should be automated or refined to reduce manual processing that results in delayed actions.
3. Designating Campus staff that individuals from each campus can contact for retirement and survivor benefit questions/issues/advice is important.
4. Eliminating backlogs, which are still at a high level, are also important.

It is hoped that as the new managers grow in their positions these issues will be addressed so that the retirement experience will be less stressful for retirees and staff alike. To facilitate this process RASC has Michael Waldon and Richard Townsend on recall. Joe Lewis has also been a consultant to the new managers, providing them with a wealth of institutional knowledge about RASC.

B. Survivor Benefits

The JBC continues its concern with survivor benefits. We would like to be presented information about several things:

1. What is the current status of survivor benefit processing? What is the distribution of the required time, i.e., fastest, slowest, median and average? We understand that the backlogs are still at a high level, but we are encouraged that Anne St. George has recently been assigned as the Project Leader to address this issue for survivor payments.
2. It is understood that a Benet MOU with Todd Wipke will be finalized soon, which will give RASC staff a means to track documentation and communicate with survivor beneficiaries as claims are processed. It is hoped that this will facilitate timelier processing of claims.
3. The JBC also believes that UC needs more resources to better inform prospective retirees and their beneficiaries about survivor benefits. We believe that more recordings of presentations would be useful, and an example is the recording from the UC Berkeley Retirement Center on "Estate and Advance Planning Workshop" which includes a section on UCRP survivor benefits.

Please refer to <https://www.youtube.com/watch?v=3FGV18x39gw>. The section on survivor benefits starts at 1 hour, 17 min (l: 17:00).

4. The new recordings might include explanations about: eligibility; where to update beneficiaries and related information in UCRAYS/RASC; the main steps of the process; processing timeline (provide an average timeline and realistic information on what can happen if there are delays in the process); how to estimate survivor income, or where members can confirm this information to help plan for the future; which documents are required and how to prepare them; who to contact in RASC.

Many of these topics are covered in the section referred to above on UCRP survivor benefits. Asking members to “read the handbook” can be overwhelming for folks. Providing simple, actionable items will likely help more people prepare in advance.

II. Health Benefits

A. Via Benefits

The JBC has sent a letter about Via Benefits to Rachael Nava and Cheryl Lloyd. We asked that the University revisit the amount of its reimbursement payment, which is presently \$3,000 per year, per out-of-state Medicare member. As this \$3,000 payment is the same as it was in 2014, we believe that the amount must be reevaluated. We also wonder if it is possible to include out-of-state retirees in the new RFP for United Healthcare? A copy of this letter will be circulated to CUCRA and CUCEA.

B. Open Enrollment

Members of the JBC and others have been consulted about the form and content of the Open Enrollment pamphlet. We believe that the members of CUCRA and CUCEA who worked diligently with UCOP Communications from the beginning of the year have made substantial advances in the understanding and ease with which folks can review the information.

C. Lawrence Livermore National Laboratory - Legal Settlement

Two members of the JBC have written a useful paper about the settlement between UC (defendant) and retirees of the Lawrence Livermore National Laboratory (Plaintiff). The Plaintiff prevailed and the summary is attached as Appendix A.

III. Pension Benefits

A. HSCP Retirement Calculator

The JBC has a recommendation for modeling a Retirement Calculator for the Health Sciences Compensation Plan (HSCP) as the general UC faculty compensation plan is sufficiently

different from the HSCP, thus warranting a different calculator for each. A substantial portion (40%) of UC faculty salaries is paid to faculty in the health sciences. An entry page to a calculator would have two boxes: a box for general faculty and those health science departments not in the HSCP along with their faculty, and another box for HSCP faculty. The response directs the user to the appropriate of the two calculators.

The following comments are specifically for the HSCP retirement calculator:

The Health Sciences Compensation Plan (HSCP) http://www.ucop.edu/academic-personnel-programs/_files/apm/apm-670.pdf is relatively complex since it provides a basis for differing compensations across a wide spectrum of disciplines and specialties in the health sciences.

Only a portion ($X+X'$) of a health sciences (HS) faculty member's annual guaranteed salary (see APM 670-18b and c.) is 'covered compensation' for retirement purposes. Retirement income for UC service is dependent on age at retirement, length of UC employment, and the highest average plan compensation (HAPC) over 3 consecutive years at UC. Annual compensation for an HS faculty with HSCP is a combination of 3 components: The X' component is based on:

1. The faculty's academic rank (e.g. Associate Professor) and step (within the rank);
2. A salary scale for academic faculties (https://www.ucop.edu/academic-personnel-programs/_files/1920/1920-adj-scales/t1.pdf); and
3. The faculty member's Academic Programmatic Unit (APU – see APM 670-18b) within her/his department which has a specific HSCP Salary Scale (<https://facultyacademicaffairs.ucsf.edu/faculty-life/faculty-development-day/salary-Scale-FDD-2020.pdf>) that applies to all members in an APU, and ranges from 1.0 (Scale Zero, and is equivalent to the UC academic faculty salary scale) through 1.1 (Scale One), 1.2 (Scale Two), etc. up to 2.25 (Scale Nine).

To obtain the best calculation of expected retirement income (based on current salary scales), the faculty member will need to enter her/his UC hire date, age, and the HSCP Salary Scale for her/his APU (which can be obtained from the department's chairperson, senior administrative officer, or designee). The calculator will assume a progression of rank and steps consistent with historical data from other health sciences faculty.

The Pension Choice option may be more generous for long-serving faculty who retire after age 65. On the other hand, the Savings Choice option may be more generous to an individual if UC employment is expected to be relatively short or the faculty member plans to retire before age 60.

IV. Some JBC Work In Progress:

(Note: These are topics that presently interest JBC, however our work is not advanced enough for them to be included in our report.)

A. Health Insurance Principles with UCOP

Health care insurance remains a critical issue to emeriti and retirees. An *ad hoc* group of emeriti and staff retirees from across the system have developed a draft set of concerns and principles on this topic for consideration by UCOP. The Berkeley Emeriti Association's Executive Committee has already endorsed these principles and forwarded them to their Divisional Academic Senate with a copy to CUCEA leadership. CUCEA will discuss these through traditional Academic Senate processes. CUCRA will distribute the draft to member associations seeking feedback and comment. Many appropriate questions are raised by this document that address the essence of issues of most concern to retirees. We look forward to results of this review.

B. Health Benefits for Retirees Living Abroad

Some retirees and emeriti choose to live outside the United States. The JBC notes that they need more information about their options for health insurance, and we are in the process of gathering relevant information for both short and long term insurance. Susan Pon-Gee has given us clear information about the options for California Medicare members who travel for different numbers of months within other parts of the United States. She has also sent some brochures about health plan benefits available for people who are long term residents living abroad. As a next step, the JBC would like information about the number of retirees in the top five to ten countries. Such information may inform our subsequent investigations into the healthcare costs in Canada, Italy, Mexico, etc.

Some of the information we seek is covered in articles such as:
<https://news.yahoo.com/u-drops-global-retirement-rankings-012510937.html>. However we need more emphasis on the needs of UC retirees.

C. "Banking" of UC Contributions to Medicare Retiree Health Plans

The JBC wants clarification of the UC policy when its annual cost for health insurance increases by less than 4% *per capita*. It seems clear that the 70/30 percent UC/retiree cost-splitting may decrease for insurance costs larger than 4%, however it is not clear for smaller cost increases. Since UC has had actual cost decreases for Medicare plans during the past 2 years (soon 3 years), it is time that UC makes plans to "bank" these savings for the future. UCRS has had "banking" procedures for pension COLAs for many years.

D. Modeling of 2016 Pension/Savings Choice Pension Plans

The JBC continues to work on a pension modeler that allows choice for the investment yields appropriate during the pay-in and the pay-out periods. The method gives its pension estimate as a fraction of the highest average compensation, and its use does not require a computer.

Respectfully submitted by the Joint Benefits Committee:

Adrian Harris (UCLA)	Appointed by CUCRA
Joe Lewis (UCOP)	Appointed by CUCRA
Joel Dimsdale (UCSD)	Appointed by CUCEA
Dan Mitchell (UCLA)	Appointed by CUCEA
Louise Taylor (UCB)	Selected by JBC
Lawrence Pitts (UCSF/UCOP)	Selected by JBC
Chair, Roger Anderson (UCSC)	Selected by JBC
John Meyer (UCD)	CUCRA Chair
Henry Powell (UCSD)	CUCEA Chair
Sue Abeles (UCLA)	CUCRA Chair-Elect
Jo-Anne Boorkman (UCD)	CUCEA Chair-Elect

Appendix A: Benefits Settlement for Lawrence Livermore National Laboratory Retirees

For many years, with a history going back to the World War II Manhattan project and its link to UC-Berkeley, UC Regents were solely in charge of the three "nuclear labs," Los Alamos, Lawrence Livermore, and Lawrence Berkeley. Various scandals revolving around lab security arose, and the management system was eventually shifted to a consortium involving UC and others. At the time of the shift, there was concern about the UC pension implications. Lab employees had been part of the UC basic pension plan. The question was essentially how the assets of the plan (and the liabilities) would be split off to cover them under the new system.

At the time, there was less attention paid to the issue of retiree health care, an unfunded liability for which, unlike the pension, the official position of UCOP and the Regents is that there is no guarantee. In this view, the Regents could end the retiree health care program or modify it in any way. However, the change in administration of the labs created a potential legal testing of the official position. In 2010, some employees of Lawrence Livermore National Lab - feeling that the shift in management had deprived them of a right to remain in the UC retiree health plan - filed a legal challenge that became known as the *Requa* case (named after one of the employees, Joe Requa).

Although the case focused on Lawrence Livermore, it had the potential to challenge the larger assertion by the Regents and the university that there was no vested right to retiree health care. In the course of the litigation, documents were uncovered which in the view of the plaintiffs indicated that the Regents had not always included disclaimers in statements to employees that asserted their no-vesting position and that there was, therefore, a legal obligation. Eventually, however, the case was settled out of court.

Below is a summary of the settlement from a local newspaper:

Judge Approves Benefits Settlement for Lawrence Livermore Retirees

Apr 16, 2020, The Independent

Alameda County Superior Court Judge Winifred Smith gave final approval last week to a settlement between retirees who worked at Lawrence Livermore National Laboratory and the University of California involving the termination of their university-sponsored health care benefits.

Created in 1952 as the University of California Radiation Laboratory at Livermore, the national laboratory was operated by the university until October 2007, when the Department of Energy awarded a management contract to a private-sector partnership, Lawrence Livermore National Security, which includes Bechtel National, BWX Technologies, AECOM and the university.

The University of California then terminated university-sponsored health care benefits for retirees who had worked at Lawrence Livermore prior to 2007, which triggered a class-action lawsuit.

Under the settlement, those retirees will continue to be covered by the Lawrence Livermore National Security benefit plan. However, the settlement provides for an annual “supplemental payment” to bring LLNS benefits into line with benefits the university offers its retirees. The settlement also requires the university to restore benefits to its Lawrence Livermore retirees if LLNS terminates or materially alters its retiree plan.

There are approximately 9,000 retirees, spouses and dependents affected by the settlement, with an average age of 80.

The university will pay \$80 million to provide supplemental payments for the next 20 years, as well as cover past damages. All members of the class action will receive a payment of \$1,000, and some plaintiffs who suffered higher losses will be compensated for a portion of the losses. The university will also spend \$4 million to provide benefits counselors for those retirees and contribute \$500,000 toward the cost of administering the settlement.

“We are pleased to have been able to reach this settlement” with the University of California Board of Regents, “which will benefit retirees and their families for years to come,” said 77-year-old plaintiff Jay Davis, a former associate director at the laboratory who retired in 2002. “We were proud to be University of California employees for 50 years and we appreciate the way the university has worked with us over the last year to settle our claims.”

Andrew Thomas Sinclair, lead counsel for the Lawrence Livermore retirees, said the settlement would provide “important economic relief to class members, as well as guarantee the security of their health benefits in this very difficult time.”

Source: https://www.independentnews.com/news/judge-approves-benefits-settlement-for-lawrence-livermore-retirees/article_a5483a1a-7f98-11ea-bfa4-4bbc9e5f5f8a.html

Although the legal question of vested rights was not determined in the settlement, JBC has obtained documentation discovered by the litigation. Adrian Harris discussed the case with Attorney Andrew Thomas Sinclair who was very helpful in providing copies of University documents which show University commitments to provide the sought benefits to retirees from the Labs, and which in fact makes the same commitments to all covered University employees and annuitants. While the case was settled outside of court, it sets a precedent for annuitants in general, which should be comforting to all of us. Attorney Sinclair has offered to be helpful to us, should it become useful in the future.

The CUCEA and CUCRA Information Officers will retain the lawsuit documents obtained for potential future use.

