President's and Regents' Retiree Association (PARRA) report – April 2011

PARRA's most important concern over the past six months has been the report of the Post-Employment Benefits Task Force and our response on behalf of our members. This response is our report for the spring CUCRA meeting:

November 2, 2010

President Mark G. Yudof
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200

Dear President Yudof:

On behalf of the President's and Regents' Retiree Association (PARRA), I am writing to share our views on the report of the Post-Employment Benefits Task Force (PEB). We are writing both as members of the universitywide retiree community and in our capacity as the retiree association for the Office of the President and the offices of The Regents.

You and the Regents will be making decisions about future UC benefits against the backdrop of a thirty-year trend in our society toward shifting risk from institutions to individuals. The University of California has been an honorable exception to this trend. You will serve its interests best, in our view, if you weigh the hard choices in the PEB report within the context of UC's long commitment to the welfare of its faculty and staff. A welcome example of this commitment is the PEB report recommendation protecting long-term retired employees not coordinated with Social Security from disproportionate increases in health-care costs.

The proposed incremental reduction in Regental contributions to retiree health-care premiums, from the current 89 percent to as low as 70 percent, will be a difficult burden for many retirees. If fully implemented, this recommendation could increase the cost of individual premiums by 30 percent for a constituency that spends more on health care than any other segment of the UC community. These costs include not only premiums but also co-pays for frequent doctor's visits, prescriptions, and other expenses not covered by health-care plans. Retirees have no choice but to meet these escalating costs (including the additional costs associated with national health-care reform) while living on a fixed income.

Our understanding is that shrinking the Regental contribution to a floor of 70 percent is not inevitable. The PEB report executive summary makes this point on page 35:

Each year, during the annual health plan renewal process and in the context of overall budget resources, salary adjustments for active employees and COLAs for retirees, the administration *should reassess the level of the University contribution [to retiree health-plan premiums], the appropriateness of an additional 3% reduction in the contribution and whether the floor should be 70% or a higher amount.*

We urge you to take this recommendation seriously and to mandate that the appropriate Regental contribution be carefully reconsidered every year. This will have three advantages. It will allow the University to evaluate how increases in retiree health costs actually affect the balance between savings and competitiveness. It will help counter any perceptions that the PEB task force was perhaps more focused on cost-cutting than on competitiveness. And it will ensure more equitable treatment of retirees. A recent Berkeley campus study comparing public and private compensation in California today concluded that the *only* reason public compensation is competitive with that in the private sector is the stronger health and pension benefits public institutions offer their employees. Current UC retirees, especially staff retirees, accepted lower salaries over many years in exchange for the expectation of higher health-care and pension benefits.

We are not asking to be exempted from sharing in the pain retrenchment will inflict throughout the University. We are asking that, in making the many difficult decisions that lie ahead, you and the Regents minimize to the extent you can the risks facing older and often more financially vulnerable members of our community.

On the question of pension benefits, we want to underscore our agreement with another recommendation of the PEB report: that UC continue to insist on the State of California's obligation to contribute its fair share to UCRP. California's current fiscal difficulties, dire as they are, do not exempt the State from this obligation. The twenty-year holiday in contributions to UCRP has saved the State of California billions of dollars. In the long run, UC's only hope of sustaining any kind of defined-benefit plan for employees is to negotiate an agreement with the governor and the legislature under which the State of California resumes its rightful and long-established responsibility to contribute to UCRP, just as it has contributed to the Public Employee Retirement System and the State Teachers' Retirement System for many years. It is urgent that the administration and the Regents continue to vigorously pursue such an agreement.

Thank you for considering our views on these issues of profound importance to the future of the University.

Sincerely,

Patricia A. Pelfrey
President, PARRA