

Minutes for March 22, 2007 CUCRA Meeting at UCLA Faculty Center

Attendees: Barbara Gerber(UCOP), Lee Duffus, (UCSC), Pat Faye (UCLA), Jeri Frederick (UCI), Bob Fulton (LBNL), Jeff Garberson (LLNL), Adrian Harris (UCLA), Betty Howe (UCR), Marian Gade (UCB/CUCRA), Dick Jensen (UCSB/UCSC), Lew Leeberg (UCLA), Betty Levinson (UCLA), Jim Mackie (UCSF), Chuck Mansfield (LANL), Joe Mariner (LANL), Mary Mariner (LANL), Sal Martino (UCR), Donn Miller (UCSB), Eddie Murphy (UCLA), Barbara J. Nichols (UCD) Bob Oakes (UCSD), John Pitts (LLNL), Deanna Falge Pritchard (UCD/CUCRA), Anne Gray Raventos (UCD), Don Wilkie (UCSD), Marianne Schnaubelt (UCI), Antonia Sweet (UCB/CUCRA), Louise Taylor (UCB/CUCEA)

Welcome - UCLA Acting Chancellor Norm Abrams brought his greetings and told us of the latest construction projects on the UCLA campus. He also addressed the issue of African American admissions at UCLA

Summary from Committee of the Whole—Communication: CUCRA communications were not addressed. Matters relating to annuitants were addressed, explored and agreed upon. UCOP Human Resources communications primarily regard active employees. However, retirees rely on UCOP for information. Yet, since they are in the habit of going to their campus representatives, in reality, they rely more on their campuses. Thus, there is a gap. We need to be sure that UCOP focuses on the campuses. The campuses with retirement centers must be included in the Human Resources link. CUCRA needs to have more relevance in advocacy. UCOP must be more pro active in response time. This will appear under action items for this meeting. Livermore Lab retirees are being told to look to the Lab rather than the University for information. Transitions are not well served by the current process. We tend to be reactive; to be pro active we need to find out what is going on ahead of time; however, it's become more difficult because of necessary confidentiality due to unions. A new retirement center is being set up at Riverside. Should they be placed under Human Resources or academic administration? It was noted that academic/chancellor backing provides more support.

Joints Benefits Committee Report- The JBC has been successfully reorganized, with two new members replacing two charter members, Moe Greenfield and Gene Lee. Jack Fisher, a retired faculty member from UCSD and Louise Taylor from UCB will join the other continuing members: Julian Feldman, Dick Jensen, Bill Klein and Errol Mauchlan. UCOP has not responded to the committee's questions. Comparing the health care benefits currently provided to University annuitants to those provided to annuitants covered by PERS the health care costs we are asked to pay continue to be significantly higher. Kaiser is used for comparison because it is the only program offered by both PERS and UC. For example, for one-party Medicare covered annuitants the University provides a \$320.20 maximum employer contribution for all plans but Kaiser, where the amount is \$287.94. The University pays only \$225.50 for one-party Kaiser Medicare covered annuitants while PERS pays \$289.68. The Addendum to the Report states how the information came to JBC through Louise Taylor and Dick Jensen. They have requested that the two paragraphs in the original be removed.

The following letter was sent to UCOP by Adrian Harris as an individual because CUCRA/CUCEA did not take this position.

**THE GREAT GASB (GOVERNMENT ACCOUNTING STANDARDS BOARD) FIASCO**

GASB federal accounting rules imposed for years on business enterprises have now been extended to governmental jurisdictions, requiring them to determine and report the continuing/future obligations related to benefits that will be provided to all current employees and annuitants during their entire lifetime. There has been much discussion and effort expended by those jurisdictions on how to approach the reporting requirements, and how to provide funding to cover the future costs of providing mandated or promised health care benefits.

However, there is a significant difference between business enterprises and governmental jurisdictions. Businesses can and do go bankrupt and disappear completely. Without provision of trust funds to cover the costs of obligated benefits, those benefits would likewise disappear. On the other hand, governmental jurisdictions are continuing. The State of California will certainly not go out of business. Likewise, the University of California will also continue to exist. While it is good to know the projected costs of providing future benefits to every annuitant and current employee, the need to have the funding on hand at any time before the benefits are actually paid is completely unnecessary. If the University actually did close down, endowment funds could be sequestered to provide all future obligated benefits. If the endowment funds were not sufficient, proceeds from the sale of some of the assets---land, buildings, equipment, future income from patents, etc. could be available to cover any cost deficiency. Likewise, the State of California possesses significant assets, and the proceeds from the sale of some

could be made available to cover the costs of providing their obligated benefits.

There is a significant difference between recognizing the size of an obligation and assuming the need to create a trust-fund to be able to cover long-term obligations. What is important is the need to know and to be able to plan for and cover on a current basis the actual costs of providing current year benefits to individuals. Such details should be available over a reasonable planning time horizon---perhaps three to five years--- to assure the availability of sufficient funds on an annual basis. Beyond that, for governmental jurisdictions, there should not be a requirement to have on hand the resources needed to cover the costs of future benefits for everyone currently employed, through the time of their or their surviving spouse's death. Current benefits amount to only a very small fraction of the projected billions of dollars required to provide for all present and future obligated benefits.

Hopefully, the task force that is being assembled by the Governor, and the University administrators involved in current and future discussions, will understand the real financial needs and not overreact to the emotions of the moment by suggesting reductions in benefits, which have been major recruitment and retention tools for most, if not all, governmental jurisdictions. Further, annuitants, many of whom spent most, if not all, of their working life as dedicated employees, should not be singled out for reductions in benefits, because they must make due with perhaps as little as 75 percent of their original purchasing power. For those who retired 20-25 years ago, there are those who are living at or below the poverty level, because they retired prior to the significant wage level inflation that came later, and with the 80 percent limitation on their benefit, which was eliminated by The Regents in 1987.

Adrian Harris

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January 18, 2007

Adrian Harris will prepare a report for the UCRS Advisory Board regarding the incentive portion COLAs for PERS VERIP annuitants so that PERS VERIP group and UCRS VERIP annuitants will be treated equally. Adrian's report was accepted.

Louise Taylor and Dick Jensen attend the confidential meetings of Compensation and Benefits Task Force. They wrote two letters requesting that Adrian Harris as chair of the JBC be included in the meetings. They also asked for membership on the UCRS Advisory Board so that they would be included in executive sessions.

Human Resources/Health Benefits and Retirement – By teleconference Mark Esteban reported on medical benefits strategies as the University goes out to bid for all employer sponsored medical and dental plans. Regarding GASB he also reported that some see a necessity for a trust in order to comply because individual GASB evaluation reports at each campus and medical center would be a nightmare. A trust would avoid this and GASB compliance reporting would become one easy operation. The first report is due on July 1, 2007. The accrued liability is approximately \$10 to \$11 billion. Lawrence Livermore Laboratory is still in UCRS but will do a separate report. Dick Jensen thinks a trust is not a problem. Adrian Harris fears medical benefits to annuitants will be cut and it will be blamed on the trust fund (see Adrian's letter above). Louise Taylor would prefer this concern come forward from Bob Anderson who serves on the Academic Senate Welfare Committee. Adrian Harris could go through UCLA Academic Senate or work with Prof. Anderson on presenting the issue.

Education Program Carl Klompus is the UC contract with FITSCO. He is working with FITSCO on the Education Program. Its goal is to increase awareness of investments in the UC program. To qualify one must be 50 years old and have at least \$5,000 invested in the UC program. There will be targeted mailings and seminars. Retirees will be one of the targeted groups. The topics to be addressed are 1. the need to understand the basics of the UC Plan, 2. how to use the benefits website and learn to navigate it. 3. income planning (longevity harvesting plan) part-time jobs, how to use MRDs strategically and asset allocation. 4. elder care with the retiree as both provider and recipient, and how health care and elder care work together. Seminars may be held through retirement centers. It is not clear how to handle seminars on campuses that don't have retirement centers. UCOP hopes to start this program within the year. Dick Jensen stated that we must clarify communications regarding the program because retirement centers and associations are not the same thing. Marian Gade said that information must be distributed to all, not just to CUCRA. Articles in Focus newsletter and New Dimensions plus targeted mailings will help communications. Presentations will also be posted on the benefits website. Adrian Harris is concerned about the content of some of seminars, e.g. retirement investments must be calculated based on current spending not current income. Dick Jensen stated that the naming of beneficiaries, charities, trusts, etc., needs to be in documentation that is easily accessible. The ability to disclaim must be included. People don't know how to vet financial advisors, etc.

although the information is out there. As follow-up Adrian Harris and John Fox will talk regarding ways to reach retirees successfully and to continue developing the material. The status for returning to contributions for UCRP in July 2007 is subject to the State budget process, collective bargaining, and availability of monies. The union coalition wants contributions redirected, this is 2% of pay for most employees. The employer will contribute the same amount. The union coalition sees no need to resume contributions until the funding is below 100%. UC asked for \$60 million dollars in its budget request, the Governor didn't include it in his budget. The Regents continue to talk to the State and hope the item will appear in the May budget. UC's position is to proceed as if it will begin in July 2007. The letter from Louise Taylor and Dick Jensen was very helpful. Louise Taylor thanked UCOP for the contributions communication.

Cindy Peet reported that an expanded interactive website is being developed. Currently, there is a two page website on 'At Your Service'. It was suggested that it include recreational sports availability to retirees as well as employees. Lew Leeburg suggested the Berkeley Wellness letter be made available at a reduced rate, perhaps \$15. Marian Gade suggested it include information about parking.

Ann Wolfe announced that before Open Enrollment there will be an article about new medical plans on the front page of New Dimensions. Deanna Falge Pritchard commented on the good articles like the one on Eddie Murphy. She suggested an Events Calendar as well. Regarding communications Dick Jensen emphasized that New Dimensions and the website (while difficult to use) are moving in the right direction. He suggested profiles of retirees and the need to join the retirees' associations where one lives not where one worked.

Bob Oakes stated his frustration with UCOP regarding the matters expressed in the following letter.

#### MEDICARE PART D PRESCRIPTION DRUG PLAN ISSUE UNINTENDED NEGATIVE CONSEQUENCES

The implementation of the Medicare Part D Prescription Drug Plan has created an unintended negative consequence for several hundred University of California (UC) retirees. UC needs to identify a workable solution whereby members' medical plan benefits are not jeopardized by the existence of Medicare Rx coverage.

**BACKGROUND:** Recently issued Medicare regulations require that a person may be enrolled in only one Medicare Part D Prescription Drug Plan. The problem arises in cases where a retiree has earned medical coverage from two former employers and both of his/her medical plans include "creditable" prescription drug benefits. In order to remain eligible for UC sponsored medical coverage, a retiree must remain enrolled in his/her plan's Part D plan. Enrolling in non-UC Part D plan de enrolls you from your UC plan (both medical and Rx).

**PROBLEM:** Several hundred current UC retirees have medical plan coverage in addition to that sponsored by the University of California. This has created unintended negative consequences for retirees. Retirees should not be forced to lose medical plan coverage just because it includes Rx benefits.

A major reason for this seems to be that plan sponsors are eligible to claim a financial subsidy from the federal government for offering "creditable" prescription drug coverage. Medicare extended the subsidy to prevent sponsors from dropping their Rx benefits and thereby shifting the entire cost to the federal government for Medicare Rx enrollees. The subsidy is estimated to be approximately \$50/month per enrollee.

**PROPOSED SOLUTIONS:** 1. Allow medical members to opt out of their UC Part D prescription drug coverage component while maintaining their UC medical plan coverage eligibility. 2. Forego the subsidy for dual coverage members and still allow them to be covered for medical and Rx. (Affected members allegedly represent less than 3% of UC medical plan retirees.) 3. Separate medical plans from Rx plans.

Robert W. Oakes

March 21, 2007

Association Updates – Merced does not have a retirement association. Merced, San Francisco and Santa Cruz along with the three laboratories and UCOP do not have retirement centers. Ann Gray reported that the Davis Retirement Center is up and running successfully. They are recruiting for staff to assist the Director. Bob Oaks, from UCSD, stated that emeriti and retirees have worked together on the proposal to update a building for joint occupancy. Lew Leeburg stated that UCLA has 669 members in the association and the emeriti are over 900. There is a joint committee putting together a housing project for a continuing care retirement facility. It could be something that other campuses might consider. Adrian Harris and Lew Leeburg will be looking for land for the facility. The Belmont Rental Company owns a building, under construction, in which rental priority will be given to retirees and current staff. This joint committee with the emeriti is an example of the power of working together.

Treasurer's Report – Bob Eernisse was absent. Dick Jensen presented the financial report. We do not have a tax ID

number.

Minutes – The October 26, 2006 were approved as corrected with the addition of Jeff Duffus and Jerry Walters as attendees at the morning session.

Travel – Packets from Rosemary Norling were distributed for each campus.

Communications – Dick Jensen stated that while on March 21<sup>st</sup> we talked about communications among groups, now we must talk about communication among ourselves. Jeff Garberson suggested a website. Will UC sponsor it? What should it include? Will member organizations contribute? It was suggested we try it for a few months as a trial run, then we will have some numbers to consider before deciding on whether or not to move forward with it. Maintenance may be a problem.

Major Themes from the March 21<sup>st</sup> communications meeting were summarized by Dick Jensen. 1. Help UCOP see connection between retiree and campus-retirement centers help in this. 2. Help UCOP get issues or policy so that retirees get timely responses. 3. Benecom/Atyourservice needs to be easier to access and search.

#### Action Items

UCOP and CURCA must think of communications in regards to advocacy and the route it takes.

Policy must be easily accessible.

Action requests must get a prompt response.

Information such as: What does it mean? What action should I take/ what is the penalty if I don't? must be made available.

Importance of talking to people before they retire about retirement. New Dimensions plus seminars are good communication tools. At Your Service must become more accessible.

The final version of the brochure that Deanna Falge Pritchard and Suzanne Ciotti put together is ready.

Jeff Garberson will chair a communications committee to deal with all of the above. He will contact Marjorie Caserio, UCOP, Sal Martino, and Marian Gade.

Dick Jensen will send us a report of the areas that he has acted on.

Facilities workers, food workers, custodial services, gardeners etc. may be overlooked because they may not understand or have the time to see retirement counselors. We are also overlooking retirees who don't use computers. It would help to get cast-off computers for use in retirement centers.

Dick Jensen went to the Regents meeting at UCLA to make a presentation and he sent a letter asking that we have a representative at the Regents' meeting.

Dick Jensen will write a letter to Human Resources at UC Merced to ask when we should begin to include UC Merced in CUCRA.

Motion – 1.) Marian Gade proposed that we approve the wide distribution of Adrian Harris's letter on GABSY. Jeff Garberson suggested that we also send it to newspapers such as the Sacramento Bee. The motion passed unanimously. 2.) Marian Gade also proposed that we authorize paying travel expenses for Rosemary Norling to attend CUCRA meetings. The motion was unanimously approved.

The next meeting will take place on Thursday, October 25, 2007 at UC Davis. It will be a joint meeting with CUCEA. Future meetings may be held at Livermore and Santa Cruz. The current officers will serve through this year. The meeting was adjourned at 3 p.m.

Submitted by Toni Sweet