

COUNCIL OF UNIVERSITY OF CALIFORNIA EMERITI ASSOCIATIONS
COUNCIL OF UNIVERSITY OF CALIFORNIA RETIREE ASSOCIATIONS

Joint Hybrid Meeting
October 29, 2024
Hosted by UC Santa Cruz

ATTENDEES

UC Berkeley: Patrick Cullinane, Marion Gade, Javier Gonzales, Marion James, Amy Block Joy, Caroline Kane, Camille Koue, Steve Martin, Patti Owen, Kenneth Polse, Cary Sweeney, Louise Taylor, Elise Woods

UC Davis: Sue Barnes, Jo Anne Boorkman, Jim Chalfant, Amanda Crisman, Julianne Crowley, M. L. Farrell, Emily Galindo, Dianne Gregory, John Meyer, Warren Picket, Joseph Suad, Larry Thao

UC Irvine: Craig Behrens, David Brownstone, Ken Chew, Cindy Fern, Jeri Frederick, Jill Halvaks, Susan Lessick, Ann Miller, George Miller, Emil Nguyen, Bill Parker, Pat Price, Marianne Schnaubelt, Jessica Utts

UC Los Angeles: Sue Abeles, Sue Barnes, Stephanie Bradford, John Dahl, Ayesha Dixon, Adrian Harris, Dan Mitchell, Jack Powazek

UC Merced: Not represented

UC Riverside: Robert Daly, Mary Gauvain, Sheryl Hayes, Dan Hare, Cristina Otegui, Andy Plumley, Raymond Russell, Jose Wudka

UC San Diego: Vanya Bailon, Joel Dimsdale, Christine Hunefeldt Frode, Phyllis Mirsky, Barbara Parker, Kim Signoret-Paar, Nancy Wilson

UC San Francisco: Gail Harden, Eric Vermillion

UC Santa Barbara: John Gilbert, Robert Mann, Kim Summerfield

UC Santa Cruz: Judith Aissen, Roger Anderson, Chris Dawley, Lee Duffus, Jean Fargo, Kathy Foley, Bill Parro, Nancy Pascal, Eli Silver, Bill Parro, Esther Sylvan, Frank Trueb, Elaine Wedegaertner

LANL: Not represented

LBNL: Nancy Brown

LLNL: Jeff Garberson

PARRA: Jim Dolgonas, Jon Good

UC Office of the President: Jagdeep Bachher, Bernadette Green, Jay Henderson, Maynard Jenkins, Cheryl Lloyd, John Monroe, Susan Pon-Gee, Jewel Smally, Hyun Swanson, Todd Tauzer, Ming Wung

Call to Order and General Overview

Eli Silver, UCSC Emeriti Association Representative, called the meeting to order at 12 noon and gave an overview of the day's events. He then introduced John Meyer, Chair of CUCRA. John expressed appreciation to UCSC for hosting the meeting and gave an overview of the agenda. First, several speakers will discuss the financial status of the UC Retirement system, including Jagdeep Bachher, VP Investment/Chief Investment Officer, John Monroe and Todd Tauzer, actuaries with the pension plan, and Hyun Swanson, Executive Director of Retirement Program Services. Second, there will be presentations and discussion with several HR representatives including Cheryl Lloyd, VP for Systemwide HR, Jay Henderson, Associate VP of Total Rewards, and Bernadette Green, Executive Director of RASC. This overview was followed by brief introductions of the attendees in the room and on Zoom.

Report on the Financial Status of the UC Retirement System

Retirement funds recent performance: Jagdeep Bachher, VP Investment/Chief Investment Officer (via Zoom), gave an update of the pension funds. VP Bachher has been with UC for 10 years and he manages the defined benefit pension plan, which has been part the University for over 60 years. Decisions in his office focus on the longevity of financial support for our retirees. Ten years ago the pension fund was \$50 billion and the retirement savings was \$19 billion. Today the fund is about \$203 billion, the retirement savings is \$41 billion, and the endowment funds have more than doubled in size. The last 10 years have been complicated financially, especially during the last 4 to 5 years with the pandemic, and active oversight and management of the retirement funds have been necessary. Presently, the asset investment breakdown is 17% bonds, 53% stocks, and 30% private investments. Stocks have grown about 13% a year over last 10 years. Most changes in the bond market occurred in the last 3 years and bonds are now contributing more to returns than in prior years. The private markets have done satisfactory over this period.

The retirement funds are more difficult to manage today than in prior years because they are so large. There are also many changes in the market and there is turmoil in the world. Market forecasting is also more difficult now for other reasons including uncertainties related to the upcoming U.S. presidential election. During the pandemic the market initially fell quite a bit, but it recovered well and is staying the course. Despite the difficulties of this period, market investments have worked out well for UC. The investment team of 54 individuals monitors the situation closely. They also watch for technological changes in medicine, computing, and other areas that may affect the

market substantially. The team keeps close ties with innovations at the University, which can inform investment strategies. The discussion was opened for questions.

Question (Q): How do you benchmark your team's performance against peer institutions?

Answer (A): We focus on how to best meet expectations for the pension. Our goal is to earn 6.75% a year over the long term, which will enable the plan to meet its expectations. We consider the current allocation of funds best suited to meet this goal.

Q: What is your investment philosophy over the coming election period?

A: Stay calm and focused. Current earnings and investments in the U.S. are solid and the economy is in good shape. Tariffs, especially as a means to bolster economic growth, are a concern and could be a liability, which worries the investment team.

Q: How much does UC have invested in the banking community?

A: We invest more in index funds.

Q: Why is STIP paying 5% and the overall savings investment doing so poorly?

A: When interest rates fell, so did the funds in the savings plan. As the bonds mature, we reinvested the funds in shorter duration bonds to recoup the losses in the savings plan. We urge every participant in UC retirement to consult with your representative at Fidelity to determine if your funds are invested as best as possible. In recent history, the equity funds have done the best and the savings plan has done the worst.

VP Bachher told attendees to email him at jagdeep@ucop.edu if anyone has questions and that a member of his team will respond.

Status of system's funding level: John Monroe, Actuarial Service Manager, and Todd Tauzer, Lead Actuary, Segal Consulting attended via Zoom.

Mr. Monroe presented an overview of the UC system's retirement funding level. Segal, an HR Actuarial Consulting Firm, does an evaluation of the retirement plan each year. The fund has set a liability increase of 6.75% every year. Highlights of the 2024 evaluation are as follows:

- the fund has an actuarial value return of 7.7% with a 5-year smoothing of gains/losses,
- the fund has a market value of \$99 billion, an increase of \$2.6 billion from the prior year,
- the fund liability exceeds assets by about \$20 billion dollars,
- total fund contribution ratio decreased from 32.8% to 32.7%, largely due to unexpected salary increases and other costs,
- number of active UCRP members has increased in the last two years, partly due to mergers with hospitals and subsequent absorption of employees,
- the present retiree count is 89,000 retired employees and survivors; the number has been increasing over the past five years.

Todd Tauzer from Segal provided the following information:

- UCRP rates of return have had substantial volatility over the last 20 years,
- major drops in 2008-09 and 2020-21 had good recovery in the following two years,
- the gap between assets and liability has increased in recent years, with more liability relative to assets than previous years, this change is partly due to increases in expectations for longevity.
- Future expectations for the fund: last year the Regents adopted a new contribution rate that will increase over the next 10 years from 14.5% to 18%. The goal is to reduce the shortfall in the plan over the next 5 years. By 2040, we expect assets to catch up to liabilities, at which time UCRP is expected to be 100% funded.

Q: Does the plan to manage UCRP affect the current operating budget of UC?

A: Yes, but the alternative would be to have unfunded liabilities, which is less sustainable. The current approach affects opportunity costs, but it is less costly than letting the retirement liability grow.

Education and outreach initiatives for retirees: Hyun Swanson, Executive Director Retirement Program Services, spoke about Education and Outreach Initiatives targeted for retirees as well as a redesigned portal: [MyUCRetirement.com](https://myucretirement.com). This portal is intended to be a one-stop aid for retirement. The first page is called *Lobby* and it lists and provides links to various UC retirement sites, e.g., if you click on the *In Retirement* page you can review your savings and investment strategy. There is also a page that provides guidance for savings.

The Education and Outreach team will be producing a quarterly e-newsletter that will be sent out to UC members by Fidelity. It will announce webinars, new programs, and support sites, and it will be tailored to various groups, e.g., retiree information will be sent to retirees. Retirees can have one-on-one counseling sessions with Fidelity at no cost. Webinars called *The Confident Retiree* are also available and different topics are covered. Retiree requests for a webinar on legacy planning is being developed, ideas for what to call it are being discussed. This webinar will cover estate planning, how survivor benefits work, and how to cover expenses that may arise. It will be aimed at the entire family and cover more than UC benefits, such as banking, account passwords and how to share them, and how to determine the resources and investments a person has, who is managing them, and how to access them.

Q: Who has given feedback on these outreach ideas and how can we help ensure that the feedback is as broad as possible?

A: Hyun has reached out to retirees/emeriti for input and she is open to further input.

Officers' Reports

Following a break, Joel Dimsdale, Chair of CUCEA, called the meeting to order. He then recognized John Meyer, whose term as Chair of CUCRA is ending in January 2025. Joel thanked John for his many valuable contributions to UC retirees. Before he retired, John was Vice Chancellor at UCD where he oversaw many administrative units. Joel

noted that John's administration and guidance of CUCRA during his time as chair has been outstanding, Joel then presented John with a certificate of appreciation for his leadership of CUCRA.

Secretary's Report

Patti Owen, CUCRA Secretary, presented the minutes of the April 24, 2024 Joint Meeting. The minutes have been distributed, reviewed, and amended and reflect all comments and corrections received to date. She moved that they be adopted, which was seconded. A member offered a correction for a name listed.

ACTION: The minutes of the April 24, 2024 meeting were approved as corrected.

Joint Benefits Committee

Roger Anderson, JBC Chair, highlighted several items in the previously circulated JBC report:

1. Retirement Service Administration (RASC): RASC has made great progress over the last two years, most of which is due to the efforts of RASC Director Green.
2. Return to Active Duty: This item is being watched closely because of problems regarding health insurance for people recalled within 6 months of retirement.
3. Cost of UC Health Insurance: Costs are rising and JBC would like to have more advance notice of what the rate structure will be, perhaps a week or two before open enrollment begins.
4. Emeriti Retirement Advisory Committee (ERAC): ERAC is generating a set of principles for the committee. The CUCEA Executive Committee needs to review plans for that committee and get input from emeriti across the system.
5. Requests for Proposals (RFPs): Retirees have great interest in the outcome of the proposals solicited by the Retirement System and they would like to have more input regarding what is asked for in the proposals. JBC members contend that having retirees on the review committees for the proposals would help the University draw on expertise among retirees in the areas covered in the RFPs.

Roger presented RASC Director Green with an honorary certificate in appreciation of her work over the last 4 years. He noted that the improvements she made have been especially valuable to retirees. Ms. Green will be leaving UC in December 2024.

Systemwide Human Resources Updates

Cheryl Lloyd, VP of Human Resources, provided an overview and update of systemwide human resources. VP Lloyd said that she stepped into this position 5 years ago and could see it need restructuring and a different approach. She and her team have taken many steps to improve the experience of retirees, including hiring individuals in new leadership roles with direct report to the VP's office. Jay Henderson has been added as the AVP over Total Rewards/Remuneration and Bernadette Green was hired as RASC Executive Director. RASC Director Green has revised RASC considerably and made it a more service oriented and responsive unit. HR team leaders engage routinely

with CUCRA and CUCEA to be sure RASC works effectively and they try to include retirees on committees whenever possible. Six items were mentioned specifically:

1. RASC: Campus retirement counselors are greatly needed as people contemplate or prepare for retirement. Efforts to shore up campus retirement counselors are underway.
2. Return to active duty: The federal government has rules about there being a break in service between retirement and return to active duty and these rules can affect the provision of retirement health benefits. Faculty who retire and return to active duty sometimes do not take a break in service, and the University needs to develop a phased approach for retirees/emeriti who return to active duty so as not to jeopardize their health benefit coverage. Examination of this process is underway; an advisory committee has been formed and Heather McHugh in HR has primary responsibility for the committee.
3. Costs of UC retiree health insurance: UC is trying to create a strategy for long term viability of health benefits that does not include huge increases over time. Ms. Lloyd noted that early engagement with JBC is important and will be done in the future.
4. Retiree-Emeriti Advisory Committee: VP Lloyd is on this committee and new UC leadership will be involved, including Maynard Jenkins, Senior Executive Director of Benefits Programs and Strategy.
5. Statement of Principles: HR will continue to work with JBC and CUCEA and CUCRA in developing a statement of principles for Benefits Programs and Strategy.
6. RFP concerns: VP Lloyd said she understands the desire for retirees to be involved in proposal planning and reviews and she is trying to find a way to involve retirees and emeriti in this process.

In summary, VP Lloyd said she has the JBC report, she understands the concerns expressed in it, and she will continue to work with JBC more proactively and responsively on these issues. There were several questions from the floor.

Q: How are retirement counselors hired and trained and will they be located on campus?

A: VP Lloyd is looking into how the new counselors on some of the campuses are working out and how counselors might be expanded to the other campuses.

Q: Regarding return to active duty and if the timing triggers a required minimum contribution, would that interfere with health benefits? A question was also asked about how different income levels affect who pays for Medicare Part B?

A: VP Lloyd said her team will look into these issues.

Q: Regarding the October 22, 2024 letter to JBC that expresses the hope to build a world class RASC organization: Where are we in meeting this goal?

A: Ground work has been done and counselors have been added. Also, a separate survivor unit has been formed and a direct line to this unit has been set up. A team of insurance liaisons has also been added. We are recruiting for Director Green's replacement and these issues are key in this search process.

RFP projects underway: Jay Henderson, Associate VP for Total Rewards, reported the following:

- Several RFPs are in process and/or planned. There is an upcoming Benefit Survey and a Total Remuneration Survey. We have selected a vendor and are developing a contract to get these surveys done.
 - Q: Were health sciences included in the Total Remuneration Study?
 - A: No
- A third party survey regarding Anthem is complete and we have identified a new vendor to replace Anthem to begin in January 2026.
- We recently launched a study of the Medicare PPO plan and retirees will be involved.
- The Delta Dental RFP has not launched yet, it will probably begin later this year.
- Upcoming studies: The Blue and Gold Health Plan will be studied in 2027.

Q/Comment: Decisions after the RFPs tend to result in the least costly plan being chosen, but quality of plan should be central.

Q: The cost of reimbursement for out of state retirees has not gone up for 10 years. Also, there is user frustration with this benefit program. Are any changes planned?

A: Adjustments to this program and rate of reimbursement are needed and will be looked into soon.

Maynard Jennings, the new Sr. Executive Director of Benefits, reported that some fine tuning in the benefits program will occur in the coming year.

Benefits rate changes. Susan Pon-Gee, Senior Director Health and Welfare Benefits, reviewed rate changes in health benefits for the coming year, including that Medicare has a 13.4% increase, without dental. UC Medicare Choice will go up 35.8% and Kaiser will go down 6.3%. The main drivers of increases are: high pharmacy trends from persistent use of specialty drugs; provider reimbursements and health care workers minimum wage increase; high cost treatments such as cell and gene therapy; legislation about Medicare Advantage Plans and the Inflation Reduction Act Part D; and Medicare PPO with RX had a 2% increase resulting in a 3-4% increase in rates.

Other changes: UC will continue to provide 72.8% of the cost of Medicare, which is higher than the standard 70%. Medicare-eligible reimbursement for retirees living outside CA will remain at \$3,000 per enrolled individual. Maximum contributions by retirees to Medicare increased about 16.6% (from \$364 to \$432).

Comment: There was a comment from the floor that mentioned the importance of learning about such changes more in advance of open enrollment because they have consequences for how much a plan costs and how to guide retirees in choosing a plan.

VP Lloyd noted that there will be open enrollment office hours that retirees can take advantage of if they have questions about the plan changes and how they may affect them.

Q: Kaiser is going down, but the co-pay is increasing to \$30 from \$20, why is that?

A: We redesigned some plans that had not changed for many years.

Reminder: During Open Enrollment, It is important for retirees and emeriti to use webinars and phone-in opportunities during RASC phone-in office hours to decide on what plan to choose and to get information about what the different plans offer and their costs.

Q: Why are there increases in pre-medicare retiree plans, including a huge increase in the Core Plan?

A: There is higher utilization of the Core plan after the HSP (Health Savings Plan) went up and, also, many users of the Core Plan are high risk.

RASC performance update: RASC Director Green described the following areas of progress from last year.

1. Member contact channels have expanded from 3 to 7 channels. They are focused on serving members with the final step being retirement counseling.
2. Survivor call lines have been added.
3. The time to answer phone calls has gone down considerably this year, especially for survivor calls.
4. The Secure Messaging Team also shows improvement in response time.
5. Insurance liaisons have been added to enhance retiree support, they are also providing webinars and office hours. Note: The Medicare liaison is on leave and her work is being covered in secure messages by another team member.
6. Retirement counseling started this year and results show that about 64% of the contacts helped employees prepare for retirement.

Director Green also highlighted several other 2024 changes:

1. Successful Redwood hosting migration. It has been moved from BIS (Business Information Systems) to Systemwide IT and RASC.
2. RASC Portal launched on January 1, 2024 and there have been over 134,000 visits, with 69,000 unique views. A Spanish version will be available January 1, 2025.
3. A Retirement Counseling team has been established, Kevin Kennedy is the team manager.
4. Some additional RASC Portal videos have been created, e.g., Schedule an Appointment; No Lapse in Pay and Benefit Continuation.
5. A Lump Sum Cash Out Survey has been conducted in English and Spanish.

Director Green said that RASC is striving for “Best in Class” in UC retirement services, including:

1. the understanding that RASC must be more than just a call center,

2. the unit has subscribed to a Pension Administration benchmarking system, with the following timeline: close study of the 2022-2023 RASC data has begun, and full results will be available in March 2025,
3. IT is playing an increasingly greater role in pension administration,
4. digital first contact has become the main service for most members and transactions and it has improved cost-effectiveness,
5. cybersecurity remains a top concern,
6. customer experience has become mission critical for some plans,
7. plans are dealing with the new normal regarding the post-pandemic workforce.

Q: Can you say more about the Experian roll out and the problems that occurred?

A: The President wants Experian to be provided for all UC employees and prior employees at no charge. It is not available to spouses because it would have had to be cost shared with employees and retirees, which would undermine the President's goal to provide this service at no charge.

Current state of RASC: RASC is averaging 25 business days in processing retirement, which sometimes results in a loss of benefits. This problem is being looked into so that benefits are not interrupted, with the goal to lessen retirement processing time.

CUCRA Travel Program Update:

Sue Barnes, the UC Retirees Travel Coordinator, provided the following information.

1. There are 18-20 trips per year, all staffed by volunteer coordinators and most of their work is in pre-trip coordination.
2. The program has grown considerably. Before 2022, there were 3-5 trips a year; in 2025, 22 trips are planned with a projected 300+ travelers.
3. Travelers varies by campus location; support from campus retiree and emeriti associations has helped greatly in advertising the trips.
4. A retiree survey was completed regarding where people want to go and CUCRA is working to design trips around the responses.
5. Trips are promoted via monthly e-newsletters, webinars, the website, and displays at retiree centers; new retirees are the best customers.
6. The travel agents we work with, OAT and Colette, give UC Retirees a discount on the trips and some money from the agencies is given back to CUCRA.

Spring 2025 CUCRA-CUCEA meeting at UC Riverside:

Andy Plumley and Rusty Russell, UCR CUCRA and CUCEA representatives, announced that the Spring 2025 meeting will be held at UCR and it will be hybrid. Accommodations for those who attend in person will be at the historic Mission Inn in downtown Riverside and the dining service meals will feature citrus from the UCR Citrus Experiment Station. Group tours of the Cheech Marin Museum of Chicano Art and the California Museum of Photography will be arranged for non-meeting times.

Adjournment: 4:00 PM