

UCLA Faculty Association Newsletter

An Independent Membership Organization of Faculty at the University of California, Los Angeles
P.O. Box 33336 Granada Hills, CA 91394-3336 Phone and FAX 818 341-8664 ucfa@earthlink.net
For more information, see the FA at UCLA Website at <http://www.uclafaculty.org>

Nonprofit
US Postage Paid
Van Nuys, CA
PERMIT No. 173

RETIREMENT AT

HEALTH CARE COSTS AT UC

Faculty Association Questions

Has UC lowered its level of support for Employee health care?

It has adjusted its support according to income level, with employees in lower income brackets receiving more than those in higher ones.

Will health insurance premiums increase when I retire?

Those in the highest income brackets will probably pay less in retirement if they are entitled to Medicare.

With health care costs increasing each year, many Employees (EE) across the country now consider health benefits to be their major work related benefit, with a retirement pension a close second. This priority has come about because of the increasing cost of health care nationally and the many problems in health care delivery. Employers (ER), who shoulder much of the burden of health care insurance, have to decide which is more economical for them: let the premiums increase and keep the plan design constant, which increases the cost of medical insurance; or keep the premiums constant and let the plan design change, which increases the cost of medical care for users. The most popular strategy for Employers is to keep the premiums relatively constant and increase deductibles and co-payments, thereby shifting costs to high users.

UC has tried to keep the plan design relatively constant and allowed the premiums to increase. In the early era of Managed Care between 1990 and 93, UC froze its

(Continued on page 2)

When will faculty have to start contributing to UCRP?

Probably within 5 years, maybe sooner if the labs leave UC.

Will there be a VERIP 4 to help solve the current budget crisis?

Probably not within the next 3 years, because of the current funding status of UCRP.

In March 2004, UC sent out the "HR/Benefits Review" with an ominous warning: "While the funded status of UCRP has allowed for the temporary suspension of contributions, studies have shown an increased likelihood of required contributions within the next several years." A look at a few of the issues affecting UCRP in the last few years might provide some background for the UC's cautionary remark.

(Continued on page 5)

► **Point of View Editorial: UCRP & UC Labs** p. 7

► **FA Executive Board Taking Nominations**

Anyone who would like to participate on the UCLA FA Executive Board for a 2-year term beginning Fall 2004 should contact the FA ► (818) 341-8664 or ucfa@earthlink.net

Are you an FA member? Is member printed on the mailing label above your name? If not, this

issue is being mailed to you courtesy of your colleagues. Please join them and support the FA.

► **An Application is on the Back Page.**

premiums. In 1994 it adopted a fixed-dollar premium policy: it set its contribution according to the level of the lowest HMO premium. This policy resulted in a bidding war that lasted about 6 years, resulting in decreases roughly through 1997, but then premiums began to increase again. In 2000, UC adjusted its contribution level according to plan risk: POS (point of service) and PPO (preferred provider) plans received more than HMOs.

In 2003, a major change occurred: UC calibrated its contribution according to income bands: those making less than \$40K received a higher amount than those making more. In 2004 this concept expanded to cover four distinct salary bands: \$40K or less; \$40K-\$80K; \$80K-\$120K; and \$120K and over. Now the premium costs shifted more dramatically to the higher income brackets and aroused much response among FA members who asked the FA to find out if this shift were masking a drop in the level of UC support for health care. With no salary increases for the past few years, they found these increases to be a large de facto salary cut.

With 4 different income brackets, this has been a difficult question to answer. Someone making \$100K a year, insuring for two adults, and choosing a POS plan could look back on the insurance costs outlined in Table 1

over the last 3 years at the University:

Table 1

**Cost of POS Plans at UC for the last 3 years
For UC and Employee (EE)**

Yr	Plan	UC	% chg	EE	% chg	Total
02	UC Care	\$437		\$86		\$523
03	BC+	\$487	11.5%	\$135	57%	\$622
04	BC+	\$495	1.6%	\$206	53%	\$701

For UC insuring someone in the \$100K income band the cost of premiums dropped from 11.5% to 1.6%, whereas employees paid increases of over 50% for both years.

This new social and economic strategy tends also to shift costs to Employees (EEs) who choose a POS or PPO or other kinds of fee for service plans over those who enroll in HMOs, because as income level rises, so does the preference for a POS or PPO plan. For those Employees in the lowest income bracket, UC pays about 95% of the costs of medical insurance, and about 9% choose a PPO or POS. UC's contribution drops to 87% for those making \$40- \$80K, with about 16% choosing a PPO or POS. The support level is 79% for those earning \$80-\$120K, with about 30% choosing a PPO or POS. And finally, UC's contribution drops to 71% for those earning \$120K or more, 49% of whom select a PPO or POS.

Table 2

Cost of Health Care Insurance at UC by Income Level in 2004: Selected Plans, Systemwide Quarterly Summary

Salary Level	Plan	# enroll	%	Employer		Total Cost	
				(UC)	Employee		
\$40,000 or -	HMO	HealthNet	1373	5%	\$5,989,474	\$297,157	\$6,286,631
		Kaiser	13364	53%	\$5,736,209	\$85,677	\$5,821,886
		Pacificare	8199	32%	\$3,447,284	\$192,678	\$3,639,962
	BC +		1893	7%	\$808,557	\$175,236	\$983,793
	BC PPO		587	2%	\$278,532	\$71,382	\$349,914
	Total		25,416	100%	95% total cost	5% total cost	\$170,082,186
\$40 - 80,000	HMO	HealthNet	17491	37%	\$7,717,511	\$962,631	\$8,680,142
		Kaiser	12726	27%	\$5,444,766	\$348,888	\$5,793,654
		Pacificare	9253	20%	\$3,898,402	\$551,151	\$4,449,553
	BC +		6293	13%	\$2,851,076	\$995,951	\$3,847,027
	BC PPO		1344	3%	\$692,025	\$232,548	\$924,573
	Total		47,107	100%	87% total cost	13% total cost	\$234,494,949
\$80-120,000	HMO	HealthNet	5412	35%	\$2,419,613	\$538,698	\$2,958,311
		Kaiser	3275	21%	\$1,445,021	\$173,530	\$1,618,551
		Pacificare	2288	15%	\$980,282	\$250,269	\$1,230,551
	BC +		3935	25%	\$1,869,352	\$723,205	\$2,592,557
	BC PPO		747	5%	\$396,825	\$176,245	\$573,070
	Total		15,657	100%	79% total cost	21% total cost	\$8,973,040
\$120,000+	HMO	HealthNet	1320	24%	\$569,681	\$186,558	\$756,239
		Kaiser	907	16%	\$385,238	\$82,336	\$467,574
		Pacificare	568	10%	\$234,920	\$87,871	\$322,791
	BC +		2264	41%	\$1,067,382	\$528,398	\$1,595,780

BC PPO	449	8%	\$241,284	\$131,119	\$372,403
			71% total	29% total	
Total	5,508	100%	cost	cost	\$3,514,787

Since a high number of Employees fall in the two lower income brackets, 77.4% out of 93,688 insured EEs in table 2, UC subsidizes the greatest number of people at its highest level of contribution. These Employees often select the less expensive HMO plans (86% select HMOs), but the cost of these plans for both UC and Employee have gone up considerably with the new UC contribution strategy. The cost of HealthNet by income band shows that the premiums for this plan are fast approaching the cost of Blue Cross PPOs and POSs.

Employees, but at a much higher rate as income level increases. Table 4 shows how premiums have risen for the Employee and fallen for UC according to income bands.

Table 4

% Increases in the Cost of Mmedical Insurance from 03 to 04 by Income Band for UC and Employees

	\$40 -	\$40-80	\$80-120	\$120+
Employee (EE)	28.1%	37.5%	107.7%	184.1%
UC	12.8%	11.9%	4.2%	-3.1%

Table 3
HealthNet Premiums: UC, one Employee (EE)
Making \$100,000, Insuring 2 Adults

Year	UC	% chge	EE	% chge	Total
2002	\$390		\$11		\$401
2003	\$447	14.6%	\$37	236%	\$484
2004	\$436	-2.4%	\$109	195%	\$545

UC's contribution for HealthNet in this income band actually fell about -2.4% from 2003 to 04, whereas the employee paid a whopping 236% increase from 2002 to 2003 and 195% from 2003 to 04.

Table 4 shows UC's strategy on rising health care premiums—keep the plan design constant, hold the UC increase to a certain amount, and shift the premium increases on to the higher paid Employees who are more likely to choose a PPO or POS plan. But this trend does not reveal whether over the years UC has reduced its level of support for Employee health care.

Costs of medical insurance are going up for almost all

Table 5 shows what the Employer and the Employee have paid for health care at UC over the last ten years. On average, UC's percentage of the insurance premium has risen about the same as health care insurance premiums nationwide—about 6%. But for the Employee, the average increase has been 24.4% and 67.5% since the switch to Blue Cross in 2003.

Table 5
Health Care Insurance Costs at UC 1995-2004

(campuses including med centers and Hastings, OP, Agric & Nat'l Res., UCRS, PERS, and Direct-Pay annuitants, no labs)

Year	# enrolled	UC Costs		Employee Costs		Nationwide Increases in Health Insurance Premiums*	
		Inflation adjusted	% change	Inflation adjusted	% change	% increase	% increase
1995	111222	\$392,957,455		\$19,918,703			3.8%
1996	112536	\$365,584,811	-7%	\$27,169,269	36.4%		.5%
1997	114043	\$364,888,420	0.2%	\$18,932,925	-30.3%		2.1%
1998	112865	\$375,343,710	2.9%	\$23,505,590	24.2%		3.6%
1999	117114	\$397,003,693	5.8%	\$24,355,761	3.6%		5.3%
2000	124585	\$458,086,328	15.4%	\$26,125,889	7.3%		8.2%
2001	128093	\$500,807,332	9.3%	\$27,750,273	6.2%		10.9%
2002	133469	\$557,178,687	11.3%	\$38,124,815	37.4%		12.9%
2003	136648	\$642,431,368	15.3%	\$74,911,702	96.5%		13.9%
2004	138702	\$686,488,884	6.9%	\$103,767,696	38.5%		18.90%**
average	10-year		6.6%		24.4%		6.1%

* TIAA-CREF Institute, "Employer Health Care Plan Trends," Autumn, 2003

** Estimate of 5% + 13.90%

Some people have claimed that the increasing cost of health insurance for retirees is driving up the cost of medical care at UC. The figures in Table 5 include health benefits for retirees. If we break out annuitant costs, we see the same UC strategy

for retirees as exists for active Employees: the increases for the UC contribution average about 5.4% over ten years, and a large percentage of the cost increases are shifted to the annuitants who paid roughly 19% more each year. In the last two years, the increases have been much higher, averaging 47.5% for annuitants and 11.5% for UC.

Table 6
Retirement Health Care Premiums for UC and for Annuitants 1995-2004

year	# enrolled	UC Costs		Annuitant Costs	
		inflation adjusted	% change	Inflation adjusted	% change
1995	32971	\$99,820,409		\$7,891,353	
1996	33164	\$89,604,020	11.4%	\$10,179,895	29.0%
1997	33396	\$87,157,939	-2.8%	\$10,143,779	-0.4%
1998	33825	\$87,345,216	0.2%	\$12,351,494	21.8%
1999	34268	\$90,729,405	3.7%	\$13,981,712	13.2%
2000	34497	\$108,364,399	16.3%	\$14,302,610	2.3%
2001	35621	\$121,711,282	11.0%	\$14,818,409	3.6%
2002	36379	\$133,142,715	8.6%	\$15,711,891	6.0%
2003	36832	\$154,661,354	13.9%	\$27,018,344	72.0%
2004	37691	\$170,250,348	9.2%	\$33,266,532	23.1%
average			5.4%		19.0%

In terms of the total cost of health care for all employees, the percentage devoted to annuitant premiums has remained steady over the past ten years—about 24%. However, the cost of care has gone up so that every year it is 24% of a larger and larger figure.

There are several moves afoot both at UC and nationally to limit the liability of the Employer to pay steep increases in retiree health insurance. In the future, UC will fund a percentage of the cost of annuitant care based on years of eligibility. Someone coming to UC after Jan. 1, 1990 who teaches for 5 years can expect 25% of UC's contribution, and for 10 years about 50% of UC's contribution, whatever that is. The % contribution of the premium increases to the maximum at 20 years service.

In 2004 the EEOC (Equal Employment Opportunity Commission) exempted from ADEA (Age Discrimination in Employment) the practice of altering, reducing or eliminating Employer-sponsored retiree health benefits when retirees become eligible for Medicare. Although this ruling brought the issue out into the open, many Employers have been informing retirees that there are no guarantees for continued health care insurance.

The same is true at UC, which mentions over and over in literature about retirement that health insurance contributions for retirees could stop at any time. At UC, the cost of annuitant health insurance is not pre-funded in the same way as UCRP. UC must ask the legislature each year for funds for annuitant health care.

One reason that Employers are beginning to try to limit their liability for retiree health insurance is Medicare. They know that most employees who are 65 or older are entitled to Medicare, and that means that they, as Employers, are either off the hook or want to get further

off the hook for higher and higher medical insurance premiums and now, with the new amendment to Medicare, some drug prescription costs. However, Medicare does not cover everything, and most people want to have a supplementary policy to cover some percentage of the medical services and prescription drugs not covered by Medicare.

Medicare is, however, a significant health benefit to cover both doctor and hospital visits, and because of the level of that coverage, the health insurance premium of those entitled to Medicare usually decreases in retirement. Also, higher paid faculty slip out of the higher income brackets that now adjust medical insurance upwards according to income. Higher paid faculty entitled to Medicare will pay lower premiums to the UC health insurer when they retire because they bring with them entitlement to Medicare and move out of UC's income band contribution strategy.

For those 65 years old and eligible, Medicare will pay a relatively high percentage of covered hospital and doctor costs and now some percentage of prescription drug costs for those who opt into this part of the plan. Thus, many faculty enrolled in UC HMOs and PPOs can use their Medicare health benefits to bring down the cost of care for the UC medical insurer they choose. In HMOs, faculty assign their Medicare benefits to the HMO; in PPO and POS plans, Medicare usually becomes the primary payer and the UC plan secondary.

For faculty not entitled to Medicare medical care premiums are adjusted upward. For example, for UC sponsored Blue Cross +, to insure two adults not entitled to Medicare, now costs \$159.09 per month. If one person were in Medicare, the premium would drop to \$138.81 per month, and if both were in Medicare, the premium would be \$70.87/ mo (see www.atyour.service.ucop.edu/)

[annuitants/health/medical/ann_cal_med_chart.pdf](#)). The deductibles and co-pays are the same for annuitants as for active Employees. Compare those figures with what faculty making \$120K+/yr pay per/mo for BC + to insure two adults: \$239.23. Those earning \$40K or less pay \$124.83 for the same insurance. The bottom line is that faculty, especially those not entitled to Medicare, should follow closely the issue of UC's obligation to continue health and prescription drug insurance for annuitants.

The cost of medical premiums should also be considered carefully before choosing a lump sum payout because Employees forfeit their right to UC paid medical benefits. That is a serious consideration, especially if one is retired for a long period of time, and even more serious, if one is not coordinated with Medicare because it means paying the full cost of medical insurance. Even an Employee who takes a lump sum cashout and is coordinated with SS will have to pay the full cost of healthcare until Medicare kicks in at age 65. For example the full cost—for both Employer and Employee-- of Blue Cross+ coverage for

two adults in 2004 is about \$700 and that is a negotiated price based on insuring thousands of people at UC. It would be higher for people on their own without group coverage. Faculty whether entitled to Medicare or not should think very carefully about the financial consequences of giving up UC paid medical insurance for any reason.

All of this is not to say that UC contemplates stopping its contribution to annuitant health care insurance in the near future, but it may begin to cap its contribution as many Employers are doing under severe economic constraints. UC may also begin to adjust premium cost to pension level. Employers, as well as UC, may try to limit prescription drug coverage because of the new Medicare option. As the cost of health care and prescription drugs increases and older people become higher users, the future cost of health care will increase for annuitants and Employers who continue to provide sole and supplementary medical and prescription drug insurance.



UC Investment Returns Dip and the Public Wants to Know Why (Continued from Page 1)

As large investors, universities find themselves in an odd situation: they would like to invest their retirement assets in Venture Capital (VC) funds and enjoy the same possibility of high profits as other large investors, but VC companies, mostly private, like to be secretive about their successes as well as their failures. However, when public universities invest in these funds, they often have to reveal some of those secrets to their investors because of public pressure for information.

Both UCRP and PERS have been the targets of lawsuits from parties demanding access to information about investments. In turn, some VC companies like Sequoia Capital, for example, have moved to bar UC and other large public institutions from investing in their funds because they bring with them too many demands for public access to investment information. The fears of revealing secrets are strong enough to make many VC companies bar investment from public firms and find other sources of capital when in 2002, public funds contributed about 20% of the money invested in U.S. Venture Capital funds.

Over the decade 1992-2002, UC invested heavily in private equity—including Venture Capital and buyout funds—and made some poor investment decisions. In 2000 and 2001 UC was invested in Enron and Worldcom, both of which entered bankruptcy and whose investors have little chance of recovering much on their investments. After these very public failures of large corporations, as well as the general downturn in the market from 2000-2002, some people became concerned that UC might not be able to meet its pension obligations in the future. Those concerned, including a large UC union of non-academic workers (Coalition of University Employees or CUE), a newspaper (*SJ Mercury News*) and an interested and persistent retired physics professor from Berkeley, (Charlie Schwartz), asked the University to show them transcripts of the Regents' discussion of the UC portfolio in 2002. They wanted some accountability. What had happened? Why had UC's performance trailed the market? UC was willing to give them some information, but not all of what they wanted—in particular, not the transcripts from closed door sessions of the Regents in October and November 2002 when they discussed off the record what went wrong. The union, the newspaper, and the professor decided to bring a lawsuit against UC to find out.

In July of 2003, the ruling went against the University, which immediately appealed the decision. After months of legal maneuvering, on Jan. 12, 2004 the California Supreme Court refused to grant UC its request for appeal. UC had to disclose the information the complainants wanted to know about its investment strategy unless that discussion were about whether to choose a particular investment that might contain privileged information. One can see why VC companies like Sequoia Capital were afraid of accepting large public universities as investors.

These transcripts revealed that UC's losses in the UCRP pool of assets were huge and long-standing. In the fourth quarter of 2001, the \$147M Private Equity portion of the General Endowment Pool (GEP) had -10.6% return (benchmark was 12.7%, which means the UC return was at variance with the benchmark by -23.3%). In the fourth quarter of 2002, the now \$122M Private Equity fund returned a negative -8.9% (benchmark was 8.9% which means that UC's return was at variance with the benchmark by -17.8%). The returns for the period ending Dec. 31, 2003 show some improvement: the now \$101M Private Equity returned 1.7% (benchmark was 4.3%, yielding a variance of only 2.6%). The calendar year to date return in Dec. 31, 2003 for Private Equity was 2.1% (benchmark was 29.8%, yielding a variance of 27.7%). Other portions of the GEP did better: the GEP Total Fund and the US Equity were just under the market.

The transcripts of the Regents' discussions conveyed pressure to turn around a faltering investment performance that had trailed the market by about one percentage point since 1984. In these closed sessions, UC Treasurer David Russ calculated that UC could have added \$2.5B to its \$26B portfolio of U.S. stocks from 1992-2002 had it simply pegged its investments to overall market indexes—or benchmarks based on S & P 500 and the Russell 3000. In addition, it could have added another \$2.3B by following the advice of professionals about which indexes to invest in (*SJ Mercury News*, 1/14/2004). The Regents' discussions were leading up to a major change of strategy: fire most of the internal investment staff and outsource to professional financial advisors. On Nov. 5, 2002, state election day, the Regents informed the UC staff about the firings. The next day, the announcement appeared in the *SF Chronicle*, but few people read it (transcripts from the closed sessions reveal that the Regents and others discussing these events knew that few people would notice anything during these days except election results). One can understand why so many questions were asked about UC's investment strategy.

Employee and Employer Contributions to UCRP

The question on the minds of those bringing the lawsuit concerned the viability of UCRP to meet its pension liabilities. Before November 1990 employee contributions each month were automatically deducted from pretax wages at roughly the rate of 6% for those without Social Security (SS), and between 2%-4% less \$19 a month for those with Social Security depending on whether they were above or below the SS wage base. The University contributed about 6% of covered compensation for all employees to the UCRP at the time contributions stopped. At the end of the year 1989 UCRP was funded at 143.2%. At this time the pool of funds in UCRP was considered large enough that investment growth alone was more than enough to meet its current and future obligations, and both employee and employer contributions stopped in Nov. 1990. But UC did not want faculty to get used to not having to contribute to UCRP each month, so they continued to collect employee contributions from pretax wages but they diverted them into a special retirement account—DCP. Once the University decides that it needs contributions again, they will stop diverting those monthly contributions into DCP accounts and reroute them back to UCRP, presumably at the same rate as the current DCP contribution.

But what would happen to the employer contribution? UC did get used to not contributing to UCRP. Article 4.01 of the UCRP Retirement Plan states that UC shall contribute to UCRP a percentage of total covered compensation at rates determined from time to time by The Regents. These contributions, when added to the employee contributions, shall maintain the plan on an actuarially sound basis. There is no expectation in the UCRP plan documents that a situation could arise where the University would not contribute and the employee would.

Loss of UC Labs and the Effect on UCRP

Another issue affecting future contributions to UCRP is the possible loss to UC of the government labs (Los Alamos; Lawrence, Berkeley; and Lawrence, Livermore). The UC contract expires in Jan. 2005 for the Berkeley lab and at the end of Sept. 2005 for the other two. These labs have contributed a significant amount of money to UCRP, and if they were to leave UC, they would take all of their assets and some of their liabilities with them. In July, 2003, the total assets of UCRP were roughly \$35B and \$33B in current and future liabilities—a lot less over-funded than in 1989 and further proof of a lackluster investment performance. The labs account for over 1/4 of the total assets. If lab employees left UC, assets and liabilities attributable to lab employees would be moved out of UCRP, which would likely hasten the time to restart Employee and Employer contributions to UCRP. But there would still be some difficult questions. Would UC continue paying pension benefits to already retired lab Employees? Would UC pay for retiree health insurance for lab employees? There is a high degree of likelihood that financial liabilities of a divorce between UC and the labs would fall heavily on faculty and staff. The Academic Senate plans an e-mail vote on this issue between May 3-16. ► See "Point of View," p. 7.

VERIP 4?

All of these questions about UCRP—investment performance, future contributions, effects of a break with the labs—are related to the question of whether UC would offer a VERIP 4. In the past UCRP has been over-funded enough to absorb the increase in liabilities of special incentives offered to employees to retire early. It is not so clear now that UCRP could bear that burden. In the UC newsletter "Our University," March 2004, President Dynes says that it is highly unlikely that UC will offer a VERIP in the next three years or even after that: "Offering a VERIP, even if only to targeted groups, would represent a significant cost to the UCRP, and we must be very careful about how much we burden the plan. A recent actuarial analysis found that the likelihood of having to resume contributions to UCRP within the next five years has increased substantially. Funding a VERIP would cause employer and employee contributions to the University's retirement program to begin sooner than would be the case without a VERIP. We are particularly concerned about doing anything that could cause contributions to resume during a time when the state is not providing enough funding for faculty and staff salary increases."

All of these financial issues raised here reinforce one general concept: it is important to have access to information. Recently, it is has become more difficult for employees to track UC investment performance than a few years ago when UC sent out quarterly returns by snail mail to all employees. Now, on the www.ucop.edu website it is difficult to find information on historical returns. Even the Treasurer's site www.ucop.edu/treasurer does not include an easy link to earlier financial reports.

The lawsuit by CUE, *SJ Mercury News*, and a retired UC professor shows how important it is that the University be accountable to the people it employs. Faculty should know about the issues affecting UCRP to avoid unfair shifting of costs and liabilities to younger, active faculty.



UCLA FACULTY ASSOCIATION

▶▶▶ POINT OF VIEW ◀◀◀

Faculty Pension and the Lab Issue

By Daniel J.B. Mitchell

Ho-su Wu Professor at UCLA

Anderson Graduate School of Management and

School of Public Policy & Social Research

daniel.j.b.mitchell@anderson.ucla.edu

Office phone & messages: 310-825-1504

Note: The following statement represents the opinion of Professor Mitchell, who serves on the systemwide UCRS Advisory Board, and does not reflect the advice or opinion of the Executive Board of the UCLA Faculty Association. If you would like to offer another point of view on this subject, please send it to the UCLA FA at ucfa@earthlink.net and we will post it on our website at www.uclafaculty.org/PointOfView

You will be getting increasing material from the Academic Senate urging you to participate in a poll on whether UC should try to keep the 3 nuclear labs. There is more involved here than whether you like atomic bombs. Your welfare as an active faculty member or retiree is connected to this decision through UC's retirement plans.

Lab employees are fully integrated into the UC pension system and its retiree health benefits. Should UC lose the labs, there would be a need to determine the fate of the assets of the pension plan and who pays for retiree health care. Divorces are often nasty when it comes to dividing up assets and liabilities. Moreover, UC would be negotiating with the federal govt. Many other UC sources of funding come from the federal govt. and, therefore, the negotiating strength of UC in such a divorce might be limited.

For the last decade and a half, the UC pension plan has been "over-funded" so there have been no employer or employee contributions and the plan has paid benefits out of earnings. That situation is likely to end within a few years and someone will be paying into the fund. Given the state budget crisis, the "someone" is likely to be current employees. Anything that rips assets out of the fund could potentially accelerate the day and amount of those payments.

In theory, the lab contracts call for some kind of neutral dividing up of the pension plan assets in a divorce. You can crudely think of the labs as about one fourth of the pension plan so we are not talking peanuts. What "neutral" might turn out to mean in practice is unclear.

Retiree health care, unlike the pension, is not funded out of a trust fund. Rather, it comes out of the general annual funding of the university. One can presume that already-retired lab employees would continue to get their health benefits from UC at UC expense. But what about current lab employees who will someday retire? It's unclear who would pay.

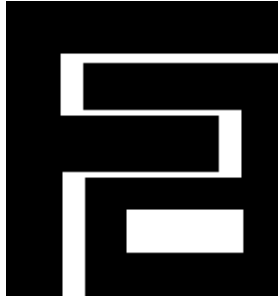
Bottom line (editorial): Divorcing from the labs could be harmful to faculty welfare because of the potential costs to the pension plan and retiree health benefit funding. Of course, maybe UC could negotiate a truly "neutral" divorce. Maybe UC could negotiate so well with the feds that we will come out ahead. But is that the likely outcome? I think not.

Application to
JOIN THE UCLA FACULTY ASSOCIATION

2003-4 FA at UCLA

Executive Board Members

Dwight Read, Chair, anthro
Steve Cederbaum, psychia
Susan Downey, art history
Sheila Greibach, comp sci
Gordon Kipling, English
Thomas Liggett, math
Donka Minkova, English
Richard Olsen, pharmacol
Karen Orren, poli sci
Carole Pateman, poli sci
Andrew Sabl, policy studies
John Schumann, Appl. Ling
Amos Norman, emeritus rep



BENEFITS

SALARIES

**WORKING
CONDITIONS**

UC POLICIES

LOBBYING

The Faculty Association at UCLA is a voluntary, dues-supported organization of UCLA Academic Senate members, founded about 30 years ago, with an Executive Board, Bylaws, a dues structure, and a Research Director.

Purposes: The purpose of the FA is to influence the decisions of the University administration and the state legislature that affect faculty salaries, benefits, and working conditions broadly defined

Relation to the Academic Senate: The FA at UCLA supports the Senate in all academic matters. Because it has no state funding the FA at UCLA can and does engage in lobbying and other nonpartisan political activities on behalf of faculty.

Membership: The FA at UCLA membership is open to all faculty eligible for membership in the UCLA Academic Senate.

I wish to join the Faculty Association at UCLA. I agree to pay the following dues (choose one) by payroll deduction and to sign Form U669 below or by personal check. FA dues are tax deductible: either on Schedule A of your income tax to the extent that they and other profession-related and income-producing expenses exceed 2% of your adjusted gross income; or in some instances on Schedule C without the 2% limitation. Please check with your tax consultant.) AAUP members may claim a 20% reduction in FA dues.

_____ \$8.75 per/mo. for Assistant Professors and Acting Professors of Law

_____ \$13.50 per/mo. for Associate Professors

_____ \$18.00 per mo. for Professors

_____ Lecturers with security of employment, please designate the dues that most nearly approximates your salary range

_____ \$40.00 per year for Emeriti (by check only)

_____ Recalled Faculty: 50% of the dues for their rank (for example, per year \$42.00 for Assistant Professors; \$63 for Associates; and \$84 for professors (payable by check only)

_____ 50% discount for Second Member of a Family

Mail Completed Forms to:

FA at UCLA, P.O. Box 33336
Granada Hills, CA 91394

Or drop in Campus Mail to:

Prof. Ed Condren, UCLA FA Membership Chair
2317 Rolfe 153002

Employee Organization Membership Payroll Deduction Authorization UPAY 669 (10/80)

Last Name _____ First Name _____ Middle Initial _____ Dept. Employed at UC _____

Title at UC _____ Organization name: Faculty Association at UCLA Campus UCLA

Employee ID _____ Date _____ Action on this Form to Become Effective on Pay Period Beginning _____

Email Address _____ Monthly Deduction: Dues _____ Initiation Fees 0 General Assessment 0

I authorize the Regents of the University of California to withhold monthly or cease withholding from my earnings as an employee, membership dues, initiation fees, and general assessment as indicated above. I understand and agree to the arrangement whereby one total monthly deduction will be made by the University based upon the current rate of dues, initiation fees, and general assessments.

I also understand that changes in the rate of dues, initiation fees and general assessments may be made after notice to that effect is given to the University by the organization to which such authorized deductions are assigned and hereby expressly agree that pursuant to such notice the University may withhold from my earnings amounts either greater than or less than those shown above without obligation to inform me before doing so or to seek additional authorization from me for such withholdings. The University will remit the amount deducted to the official designated by the organization. This authorization shall remain in effect until revoked by me allowing up to 30 days time to change the payroll records in order to make effective this assignment or revocation thereof or until another employee organization becomes my exclusive representative.

It is understood that this authorization shall become void in the event the employee organization's eligibility for payroll deduction terminates for any reason. Upon termination of my employment with the University, this authorization will no longer be in effect. This authorization does not include dues, initiation fees and general assessments to cover any time prior to the payroll period in which the initial deduction is made. Payroll deductions including those legally required and those authorized by an employee are assigned priorities. In the event there are insufficient earnings to cover all required and authorized deductions, it is understood that deductions will be taken in the order assigned by the University and no adjustment will be made in a subsequent pay period for membership dues, initiation fees and general assessments.

Employee Signature _____

Date _____

For University Use Only Tran Code _____ Employee ID No _____ Date _____ Element No. _____ Bal CD _____ Amount _____

