UNIVERSITY OF CALIFORNIA, ACADEMIC SENATE

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Chair of the Assembly of the Academic Senate
Faculty Representative to the Regents
University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200

February 5, 2021

MICHAEL DRAKE, PRESIDENT
UNIVERSITY OF CALIFORNIA

Re: Impact of Curtailment on Defined Contribution Plan Members

Dear President Drake,

At its January 2021 meeting, the Academic Council endorsed the attached letter from the University Committee on Faculty Welfare (UCFW) asking the University to address the differential impact of curtailment and salary reductions on Savings Choice (defined contribution) participants in the 2016 pension tier as compared to Pension Choice (defined benefit) participants. The letter notes that a significant number of faculty and staff in the Savings Choice plan stand to lose retirement income relative to those in the Defined Benefit plan because their employer contributions will not be preserved. UCFW estimates that this will affect approximately one-third of faculty and staff in the 2016 tier.

We deeply appreciate your positive response to the Senate's prior concern about the need to protect employees' Highest Average Plan Compensation with respect to pension contributions. We ask the University to address this additional differential effect of curtailment by restoring the employer contribution for Savings Choice participants.

Thank you for the opportunity to opine. Please do not hesitate to contact me if you have additional questions.

Sincerely,

Mary Gauvain

Mary Gauvain, Chair
Academic Council

Cc: Academic Council
UCFW
TFIR Chair Brownstone
Chief of Staff Kao
Senate Directors
Senate Executive Director Baxter

Encl.

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UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW)
Shelley Halpain, Chair
Shalpain@ucsd.edu

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December 21, 2020

MARY GAUVAIN, CHAIR
ACADEMIC COUNCIL

RE: Impact of Curtailment on Defined Contribution Plan Members

Dear Mary,

The University Committee on Faculty Welfare (UCFW) continues to discuss the implementation and ramifications of curtailment on the University community. Our Task Force on Investment and Retirement (TFIR) has brought to our attention the differential impact of curtailment on defined contribution plan (DCP) members vis-à-vis the "hold harmless" provisions enacted to protect defined benefit (DB) plan members. Throughout the discussion of curtailment plans, TFIR has stressed the need to maintain retirement benefits at pre-curtailment levels. We appreciate your successful efforts to ensure that service credits and HAPC calculations will be preserved in the DB plan. However, TFIR recently learned (from David Alcocer, Associate Vice President for Budget Analysis and Planning, at the December 8, 2020 University Committee on Planning and Budget (UCPB) meeting) that employer contributions to the defined contribution plan for 2016 tier members will not be preserved. This means that the approximately 1/3 of faculty and staff in the 2016 tier who chose "savings choice" will permanently lose employer contributions if they are subject to curtailment or salary reduction. Unless these employer contributions are restored, those in "savings choice" (defined contribution) will lose retirement income relative to those who chose the "pension choice" (defined benefit). Some TFIR members who were active in the deliberations leading up to the establishment of the 2016 tier think that that this may violate the IRS rule that the two plans should be actuarially equal.

AVP Alcocer's defense of UCOP's current policy is that "savings choice" participants actively chose a plan where they face risk. While it is true that "savings choice" participants face the risk that their investment returns may not be sufficient to fund their retirement at the level of "pension choice" participants, they were certainly not informed that they would face an additional risk due to salary reductions or curtailments. It also seems inequitable to protect the retirement benefits of those who chose (or were defaulted to) "pension choice" while harming the retirement benefits of those who chose "savings choice." Once employees realize that UC is penalizing those in "savings choice" and not penalizing those in "pension choice," they will likely switch to "pension choice" as soon as their "second choice" option is available. Unfortunately, they will have then lost at least 5 years of service credit in the pension plan.

For all the reasons described above, UCFW hopes you may work to persuade UCOP to restore the full employer contribution to those in “savings choice” that will be subject to curtailment or salary reduction.

Thank you for helping to advance our shared interests.

Sincerely,

Shelley Halpain, UCFW Chair

Copy: UCFW
TFIR
Hilary Baxter, Executive Director, Academic Senate
Robert Horwitz, Academic Council Vice Chair