

TO: UC Davis Faculty Welfare Committee

FROM: UC Davis Emeriti Committee and the UC Davis Emeriti Association Emeriti Welfare Committee

RE: UC Aggregate Annual Contribution to Retiree Health Benefits Program

DATE: September 15, 2017

CC: Roger Anderson, Chair, CUCEA/CUCRA Joint Benefits Committee
Richard Attiyeh, Chair, CUCEA
Jo Anne Boorkman, President, UCD Emeriti Association
David Brownstone, UCFW
Jim Chalfant, Past Chair, Academic Council
Rachael Goodhue, Chair, UCD Academic Senate
Lori Lubin, Chair, HCTF
Robert May, Vice Chair, Academic Council
John Meyer, President, UCD Retirees's Association
Roberta Rehm, Chair, UCFW
Marianne Schnaubelt, Chair, CUCRA
Shane White, Chair, UC Academic Senate

The Faculty Welfare Committee is opposed to Regental action that would rescind the University's commitment to a 70% floor for its contribution to the Retiree Health Benefit program and therefore requests that no such item be considered for action by the Regents at their November meeting. Any proposal from the Office of the President for a reduction in the University's contribution to retiree health benefits should be fully developed and submitted to the Academic Senate and other employee and retiree groups for their thorough review before it becomes a Regents' action item.

This action, if accepted, will end a policy that was promulgated in 2011 and enacted by the Regents in 2013 to reduce the University contribution toward the cost on post-employment health insurance to 70%, with the balance to be paid by the retiree. The 70% level was reached for pre-Medicare retirees in 2015 and is expected to be reached for Medicare retirees in 2018. We understand that the current shared health insurance premium formula will remain in place through 2018. We note that the idea of defining a "floor" is meaningless if the floor is rescinded as soon as the budget reaches that point.

Among our concerns relating to the basis of the action is the nature of the calculation used to make the projections of University liability. These are based on several factors, including the guidelines of the Governmental Accounting Standards Board (GASB), estimated inflation of health costs and health insurance premiums,

the cost of pensions to the University, and the health insurance portion to the overall cost of post employment benefits.

The argument in favor of rescinding the current levels in the shared health insurance premium formula is based on the estimate of an unfunded liability of \$21.2 billion as of July 1, 2016. The height of this projection is based on a low discount rate dictated by GASB and very high rates of health cost inflation. If the University maintains the current 70% share of health insurance premiums in accordance with the 2013 policy, these do not rise above 5% of the payroll, even with high inflation in health care costs. The UCRP is also projected to pay down its unfunded liability. The differing projections of unfunded liability strongly suggest that a fuller assessment should be made before the 2013 formula is rescinded.

Our concerns also relate to impacts on the recruitment and retention of high quality faculty and staff and the impact of increased health insurance costs to employees. The impact of rescinding the current shared health insurance premium formula is likely to have negative and lasting impact on the University and its retirees. Compensation to faculty of University of California has fallen below that received by faculty of our peer group institutions, but this differential has been reduced by the benefits the University offers. Post-employment benefits, including continued University support for health care insurance, are a major part of the overall compensation offered by the University. Rescinding the current shared health insurance premium formula would effectively reduce the overall compensation received by UC faculty to levels that are even more unfavorable to our ability to compete with our peer-group institutions in recruiting new faculty and in retaining faculty. We believe that rescinding the current formula without simultaneously replacing it with a new program of University support for post retirement health insurance effectively reduces the compensation received by current faculty.

Rescinding the current shared health insurance premium formula indicates that the University is reneging on a commitment that many retirees and current faculty believe to be part of the compensation package initially offered by the University and which was important in decisions to accept employment at the University of California.

We note that great disparity exists across the pool of retirees who benefit from continued University participation in the shared health insurance premium program. A large number entered retirement when the University salary levels were significantly lower than today, and for these retirees, the elimination of the University contribution to health care insurance creates great hardship and will inevitably result in a lower standard of living. The broad community of retirees was an integral part of the University of California's rise to prominence and continuing status as the greatest public university in the United States. Continued involvement by emeriti faculty is widely recognized and is equivalent to constituting an 11th campus of the University. In addition, reduction of support for retiree health insurance premiums might have significant, negative impact on the generous

monetary contributions that many post-retirement employees make to our various campuses. To ignore the needs of this group of contributors to the University's ongoing mission and accomplishments is both unnecessary and mean-spirited.

Finally, we believe that the motion to rescind the floor for the University contribution to the post employment health benefit program has been made in a way that all but precludes full participation by the Academic Senate. While the University of California Faculty Welfare Health Care Task Force (HCTF) and Task Force on Investment and Retirement (TFIR) are reviewing this proposed action, the Faculty Welfare committees of many campuses will not convene until after the beginning of the Fall Academic Quarter in late September, leaving insufficient time for the Faculty Welfare Committees to review and provide input to the recommendations of these Task Forces. By tabling and postponing discussion on the motion to rescind the 70% floor for the University's aggregate annual contribution to the retiree health benefit program, the Regents and its Regents Finance and Capital Strategies Committee can provide the opportunity for proper consultation with emeriti faculty and retirees of the University.

In conclusion, the UC Davis Emeriti Committee and the Emeriti Welfare Committee of the UC Davis Emeriti Association requests that the action to rescind the current shared health insurance premium formula be tabled and its discussion postponed until a fuller assessment of the basis for the action and impact can be made.