

Introduced by Senator Yee
(Principal coauthor: Assembly Member Levine)

May 15, 2007

Senate Concurrent Resolution No. 52—Relative to the University of California Retirement Plan.

LEGISLATIVE COUNSEL'S DIGEST

SCR 52, as introduced, Yee. University of California Retirement Plan: joint governance.

This measure would find that joint governance of the University of California Retirement Plan is necessary to ensure that significant pension plan decisions are based on full and accurate information, to prevent conflicts of interest from impacting the management and performance of the retirement plan, and to ensure that the retirement plan is financially sound and well managed in a fair and appropriate manner. The measure would memorialize the Regents of the University of California to provide joint governance for the University of California Retirement Plan by including an equal number of trustees representing the employer and the faculty and staff plan participants, similar to the Public Employees' Retirement System and the State Teachers' Retirement System.

Fiscal committee: yes.

- 1 WHEREAS, The University of California was established as a
- 2 great institution of higher education to provide opportunities for
- 3 thousands of people every year; and
- 4 WHEREAS, The University of California, with 10 campuses
- 5 and five medical centers, is the largest public sector employer in
- 6 California; and

1 WHEREAS, There are more than 120,000 employees who work
2 for the University of California and who participate in the
3 University of California Retirement Plan (UCRP); and

4 WHEREAS, The UCRP is unilaterally managed by the Regents
5 of the University of California, and the Regents are explicitly
6 authorized by Section 9 of Article IX of the California Constitution
7 to delegate its authority or functions to its committees, the faculty
8 of the university, or to others; and

9 WHEREAS, The UCRP is required to remain financially strong
10 so that the University of California may recruit and retain
11 employees who make the University of California a world-class
12 institution and so that employees may retire with dignity and with
13 the benefits they were promised; and

14 WHEREAS, Joint governance of a pension plan means that
15 pension plan decisions are made by the agreement of trustees
16 representing the employees who are plan participants and the
17 employer; and

18 WHEREAS, Pension plans with joint governance provide better
19 benefits for workers, and are generally financially healthier and
20 have proven to be far more secure than unilaterally managed plans
21 in that jointly governed plans account for 10 percent of the total
22 assets covered by the federal Pension Benefit Guaranty Corporation
23 and only account for 1 ½ percent of the total underfunded plans
24 covered by the Pension Benefit Guaranty Corporation; and

25 WHEREAS, The Regents of the University of California have
26 taken a contribution holiday for the past 16 years and have not
27 made any contributions to the pension plan since 1990, instead,
28 diverting pension fund assets to finance the Capital Accumulation
29 Provision (CAP) I and II allocations, which provide individual
30 CAP accounts in lieu of wage increases, at a cost of well over 1.2
31 billion dollars to date; and

32 WHEREAS, With joint governance, when there is a fund
33 surplus, decisions related to the surplus are agreed upon by trustees
34 representing employees and the employer, and joint governance
35 improves pension security by reducing conflicts of interest and
36 providing broader oversight of pension investments and benefit
37 changes; and

38 WHEREAS, The California State University and the California
39 Community Colleges sponsor pension plans with joint governance

1 that include board members representing plan participants and the
2 employer; and

3 WHEREAS, The Regents have discussed requiring employees,
4 starting in 2007, to contribute to the UCRP 2 percent of their salary
5 that escalates to 8 percent of their salary in 2013, while wages at
6 the University of California lag behind other comparable
7 institutions including universities, hospitals, and the California
8 Community Colleges, thereby forcing many employees of the
9 University of California to work multiple jobs to make ends meet;
10 and

11 WHEREAS, The Regents' discussion to restart employee
12 contributions to the UCRP occurred without the benefit of the
13 appropriate actuarial studies of the funded status of the UCRP,
14 which would be performed according to widely accepted actuarial
15 standards and best practices, and without the benefit of an updated
16 actuarial experience study that, according to the UCRP document,
17 is now overdue; and

18 WHEREAS, the University of California refused to provide
19 UCRP data so that independent actuaries could evaluate the plan;
20 now, therefore, be it

21 *Resolved by the Senate of the State of California, the Assembly*
22 *thereof concurring*, That the Legislature of the State of California,
23 on behalf of the citizens of California, finds that joint governance
24 of the University of California Retirement Plan is necessary to
25 ensure that significant pension plan decisions are based on full and
26 accurate information, to prevent conflicts of interest from impacting
27 the management and performance of the University of California
28 Retirement Plan, and to ensure that the University of California
29 Retirement Plan is financially sound and well managed in a fair
30 and appropriate manner; and be it further

31 *Resolved*, That the Legislature memorializes the Regents of the
32 University of California to provide joint governance for the
33 University of California Retirement Plan by including an equal
34 number of trustees representing the employer and the faculty and
35 staff plan participants, similar to the Public Employees' Retirement
36 System and the State Teachers' Retirement System; and be it
37 further

38 *Resolved*, That the Secretary of the Senate transmit copies of
39 this resolution to each board member of the Regents of the

- 1 University of California and to the President of the University of
- 2 California.

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