

“Did the UC Retirement Plan influence your decision to come to work at UCSF or to remain at UCSF?”

Academic Senate

December 2015

Answer of the Month MiniMag

Answer of the Month – Influence of the UC Retirement Plan (UCRP)

After long budget negotiations in spring 2015, Governor Jerry Brown and President Janet Napolitano agreed upon a deal that provided additional state funding to the University of California for the next three years, *which included the allocation of \$436 million of additional state funding to help pay down UC’s \$7.8 billion dollar unfunded retirement plan liability*. In exchange, Governor Brown and the Legislature are requiring that there be an *alignment of retirement benefits for future UC faculty and staff with that of other state employees*. To develop recommendations on how to make the necessary reforms to the UC retirement plan, as well as ensuring that the retirement plan is financially sustainable and competitive President Napolitano convened a task force that includes representative from the Office of the President, the Academic Senate, HR leaders and staff. A report on the group’s work should be available to faculty in January.

To better inform Academic Senate leaders on how best to represent faculty on the retirement plan reform issue, we have asked UCSF faculty to answer the question, “Did the UC Retirement Plan (UCRP) influence your decision to come to work at UCSF or to remain at UCSF?” The responses from UCSF faculty were overwhelming. In less than a week, we received over 220 responses from faculty commenting on the issue. *Approximately, 74% of the faculty who responded to our question said that UCRP did influence their decision to come to, or stay at UCSF.*

“Yes. And it would behoove us to ensure that the UC Retirement Plan will not be gutted going forward. It is very difficult to hire new faculty to UCSF given the current outside environment regarding housing and excessive private salaries. Eroding the UCRP for future employees will take away another critical tool to ensure that we attract the most outstanding new generation of faculty.”

The top themes from the faculty comments include:

- UCRP is a major factor in faculty retention
- UCRP benefits have traditionally helped to off-set below market salaries, as well as the high cost of living in California
- UCRP seems to be an incentive for the recruitment of new faculty members, but other incentives may carry equal weight, such as start-up packages (e.g., labs), the academic culture at UCSF, and the high profile of the institution.
- Concern that the UCRP benefit has diminished in recent years.

Changes to the UCRP are prospective, and thus do not diminish the pact with existing employees

“Absolutely! I have passed on offers from multiple other institutions over the past 20+ years. The UC Retirement Plan was certainly an influencing factor -- one that strengthens over time.”

Faculty Retention

The majority of faculty respondents noted that *UCRP benefits have played a significant role in keeping them at UCSF*. Many faculty members noted that they have received offers with higher salaries at other competitor institutions, or in private clinical practice, but they decided to stay at UCSF due to the generous pension benefit. Some faculty remarked that their professional financial advisors view UCRP as a tremendous benefit, and have recommended that faculty members stay at UCSF over receiving better compensation elsewhere.

Off-set of Below Market Salaries and Higher Cost of Living

While many respondents

commented that the UCRP benefits helped to compensate for their below-market salaries and higher cost of living associated with living in San Francisco and California, this may be changing. Indeed, a UC-wide total remuneration study, completed in 2013, showed that by fall 2013, the UC faculty salary lag to its Comparison 8 institutions had grown to 12% and the relative value of UC faculty’s health/welfare and retirement benefits had also declined, thereby creating a total remuneration lag of 10%.

Faculty Recruitment

A key concern of the Academic Senate and many of the respondents is whether reductions to UCRP benefits will have an effect on the recruitment of new faculty and staff. A number of responses reflected the importance of UCRP in the recruitment of talented people, but some respondents noted that UCRP did not influence their decision to come to UCSF. Faculty commented that when they were early in their careers, they did not really consider the importance of retirement programs. However, these comments are consistent with national surveys of early career professionals who often do not consider or save for retirement.

During the dot.com boom of the 1990s the Regents gave UC a “Pension Holiday.” Subsequently, neither employer nor employee contributions to UCRP were made from 1990 to 2010, which led to a projected unfunded liability of almost \$20 billion dollars, which is now less than \$7.8 billion dollars due to increased employee and employer contributions, internal and external borrowing, and contributions from the State. Depending on market conditions, UCOP projects that the liability should be eliminated within the next 25 years. In 2013, UC implemented a new less-expensive 2013 UCRP tier for employees hired after July 1st of that year, which shifted the minimum retirement age from 50 to 55.