

**Union Coalition Initial Response to UC's Opening Pension Proposal  
December 7, 2006  
Emeryville, California**

The Union Coalition has been reviewing the proposals made by the University on October 25. While the Coalition strongly wishes to be able to craft a comprehensive counterproposal, at this stage of bargaining the Coalition is severely hamstrung by the fact that the University has failed and refused to respond to the vast majority of the Coalition's information requests. Nevertheless, in an effort to move forward in our mutual discussion of the issues while awaiting further information, the Coalition has agreed upon the following partial counterproposal. This does not cover all of the issues at stake, for the reasons already explained. This partial counterproposal will be superseded by more complete proposals as soon as possible, based upon the receipt of requested information from the University.

The Coalition also requests that the University provide public notice of this document, in compliance with Government Code Section 3595, at the January 2007 Regents meeting.

**Partial Package Proposal**  
**(Acceptance of Any Part of These Proposals Is Contingent Upon Satisfactory**  
**Resolution of the Issues Raised by the Other Proposals):**

**A. UCRP Governance**

The University's opening proposal includes a 7/1/07 restart of employee contributions to UCRP, as well as a proposed waiver permitting the University to alter rates of employee contributions in the future, at its discretion. These proposals, apparently, do not cover employer contributions to the UCRP. These proposals by UC raise substantial issues concerning the governance of the UCRP, because (i) UC is seeking to have employees put money into the UCRP, at the University's discretion, without any commitment by the University regarding the amount of its own contributions; and (ii) Governance of the UCRP is presently fashioned in a manner that does not include substantial, much less equal, representation of participant views. With this in mind, the Coalition makes the following proposal:

**Joint Governance of UCRP**

That the Regents delegate its trustee functions regarding the UCRP to a Board of Trustees composed as follows: half of the Board shall be designated by the Regents and half of the Board shall be elected from among union represented plan participants.

## **B. UCRP Funding**

The Coalition is working hard on developing a complete and specific proposal regarding plan funding. It is difficult to do so, however, when the Coalition's information requests have not yet been answered. UC has failed to provide the Unions with the information needed by the Unions and their actuaries in order to both assess the University's position and evaluate and make counterproposals concerning sources and amounts of funding, actuarial triggers, thresholds and studies, and other related matters.

However, even pending receipt of requested information, there are two proposals related to plan funding that the Coalition is able to make based upon the information already available:

### **1. No "Appendix E"**

UC is seeking IRS approval to amend the UCRP to create a separate, additional retirement benefit only for highly compensated employees, that is, those employees whose earnings are greater than the Internal Revenue Code compensation Limit for covered compensation.

The Coalition proposes that UC withdraw the Appendix E request to the IRS, which would create an additional retirement benefit only for highly-compensated employees, that is, those employees whose earnings are greater than the Internal Revenue Code compensation limit for covered compensation. Particularly in light of the Executive Compensation Scandal, it is hard to believe that the University still wishes to create the additional benefit outlined in its proposed Appendix B, when the money necessary for funding and administering such a benefit would be far more appropriately spent on increasing the funded status of the plan as a whole, thereby benefiting all participants.

### **2. Transfers of UCRP Assets to Private Sector Entities**

UC's actuaries have indicated that at least \$1.4 billion in assets may be transferred out of the Plan as a result of the transition at Los Alamos National Laboratory, and that there will inevitably be different, competing estimates of the proper amount of assets to transfer. Moreover, the Regents have unilaterally authorized the transfer of millions of dollars each month out of the LJCRP fund, on an interim basis, as a result of the transition at Los Alamos National Laboratory.

The Coalition understands that certain limited, interim transfers may be necessary to meet the costs of benefits for those transferring employees who retire or otherwise begin distributions. However, the Coalition proposes that all other transfers cease immediately, and that the following occur immediately: (i) that UC provides the Coalition with adequate notice, no less than 90 days, and an opportunity to meet and confer regarding the transfer of any assets, including the above, out of the UCRP; and (ii) UC complies with the Coalition's information requests relating to the energy lab

transitions. As a supplement to information requested, please provide a complete detailed accounting of all assets transferred to LANS as a result of the transition at the Los Alamos Lab

through December 31, 2006.

**THESE PROPOSALS ARE SUBJECT TO CHANGE, AND WILL CERTAINLY  
AT LEAST BE SUPPLEMENTED, UPON RECEIPT OF INFORMATION  
SOUGHT IN PENDING INFORMATION REQUESTS.**