

**Testimony of Ms. Lakesha Harrison, President, AFSCME 3299
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My name is LaKesha Harrison. I am a Licensed Vocational Nurse at UCLA and the president of AFSCME 3299.

Local 3299 represents 20,000 service and patient care workers at the University of California. AFSCME-represented workers range from the lowest paid food service workers to highly specialized technologists at the UC teaching hospitals. AFSCME is one of five statewide unions at UC that together collectively bargain for 70,000 workers.

I have worked at the UCLA Santa Monica hospital for 13 years and expect to receive about \$900 per month when I retire. Hopefully by then I will have paid off my mortgage on my house in Palmdale and my daughter, for whom I am now the sole provider, will be supporting herself.

Best practices

At my teaching hospital, we try to follow “best practices,” that ensure that patients receive the best care possible. Today I would like to talk about best practices on pensions and retiree health and where I and my union see UC fitting in.

Pension funding

On the pension, UC has followed best practices in certain areas. Extraordinary investment returns in the past have kept the pension over 100% funded for many years, providing essential retirement benefits at low cost.

The pension is a key tool for recruitment and retention for UC, along with health benefits, since UC’s wages significantly lag market comparators. This situation is dire for some jobs in some departments, such as radiology and nursing, where UC is known for training recent graduates who then move on after a year or two to other hospitals with higher pay and comparable benefits.

I think I can speak for most UC employees when I say that we value our defined benefit pension and our retiree medical benefit and will do what it takes to continue receiving them in their present form.

Wages & pension at UC and its market comparators

Since wages, health care and pensions are inter-related in terms of total compensation, when we look at UC's pension benefit, we also need to look at wages. While UC provides a decent pension formula, the same can not be said for its wages.

UC's comparator employers generally offer higher wages AND defined benefit pensions. In some cases, UC has a higher pension formula, which does not offset the lower wages that employees earn during their working life, but does improve the pension benefit. However the higher base pay at UC's comparators boosts their pension benefit even when the formula is lower.

I would like to present two examples of compensation at UC Davis campus and the UC Davis teaching hospital. One involves a campus-based service worker, a senior custodian. The other involves a technical patient care worker, a principal radiology technologist.

For custodians, UC Davis's wages are 33% - 52% lower than at the local community college, with a similar pension formula

Service workers at UC earn lower wages than their counterparts at California's community colleges. Human resources managers at UC say these gaps affect recruitment and retention.

The following table compares the Senior Custodian classification at UC Davis with the Custodian classification at Los Rios Community College District in Sacramento.

Custodian		
	UC Davis	Los Rios Community College District
	Sr. Custodian	Custodian
Wages		
Hourly Wage	\$12.94 avg; \$14.79 top	\$22.27
Annual Wage	\$27,017 avg, \$30,885 top	\$46,496
Retirement		
Employee Contribution	No contributions since 1991. UC seeking 5% employee contribution through collective bargaining.	7%
Pension Formula	1.8% @ 55; 2.5% @ 60	2% @ 55; 2.5% @ 63

Custodian wages

Starting pay at Los Rios is \$33,471 per year, 33% or \$8,289 more than the \$25,181 earned by most starting custodians at UC Davis. The top pay for custodians at Los Rios is \$46,500 per year, 52% or \$15,618 more than the highest paid UCD custodian, earning \$30,882 per year. The lowest paid Los Rios custodian earns \$1.24 per hour more than the highest paid UC Davis custodian.

It should be noted that UC has a “range” wage system, with no guarantee of movement through the range, while Los Rios Community College District has a “step” system with annual movement up the steps.¹

Custodian pensions

Most community college classified employees are in CalPERS. UC and CalPERS have similar pension formulas. The pension formula at UC is 1.8% at age 55, increasing to 2.5% at age 60. Los Rios Community College District has the “2% at 55” CalPERS pension, which reaches 2.5% at age 63.

UC’s low wages and similar pension formula means that UC workers receive lower wages and lower pensions for the same work as community college workers.

UC management is seeking to require that employees pay 5% into the defined benefit pension, a matter that is subject to collective bargaining for represented employees at UC, including our members. Custodians and other service workers cannot afford to pay more for retirement.

At UC, there has been a 17-year contribution holiday, with no employee or employer contributions into the pension since 1990. The UC pension has been funded exclusively from fund earnings, though employees are required to pay 2% of covered compensation into a defined contribution retirement savings plan. UC does not match this retirement savings contribution.

Many California community college employees contribute 7% to their pensions, but their relatively higher wages offset this paycheck reduction.

For Radiologic Technologists, Kaiser Sacramento’s hospital wages are 30% higher than at UC, but UC’s pension formula is better

The following table compares Rad Techs at the UC Davis teaching hospital with Radiologic Techs at Kaiser in Sacramento. This job class was chosen because it is

¹ The UC Davis contractual wage range for Senior Custodian is \$12.06 - \$15.52 per hour, although according to information provided in an information request from UC, no custodian earns more than \$14.79 per hour. At UC, a Senior Custodian earns an average of \$12.94 per hour. With 15 years of service, custodians at Los Rios Community College District earn \$22.27 per hour.

typical of the hard-to-recruit-and-retain technical classifications at UC medical centers. For the purpose of comparing pensions, wage levels were chosen that would reflect where employees would be after 20 years of service.

Radiologic Techs		
	UCD Teaching Hospital	Kaiser (Sacto)
	Principal Rad Tech	Radiologic Tech V
Wages		
Hourly Wage	\$35.11	\$45.45
Annual Wage	\$73,310	\$94,900
Retirement		
Employee Contribution	No contributions since 1991. UC seeking 5% employee contribution through collective bargaining.	Fully employer paid.
Pension Formula	1.8% @ 55; 2.5% @ 60	1.45% @ 65

Rad tech wages

Wages for Kaiser radiologic techs are 30% higher than at UC. At UC, Principal Rad Techs earn \$35.11 per hour, compared to \$45.45 at Kaiser. This means that a UC worker doing the same job as a Kaiser worker earns \$21,590 less per year than at Kaiser.²

Rad tech pensions

UC's better pension formula partly makes up for UC's low wages when compared to Kaiser. Kaiser's pension formula tops out at 1.45% at 65. To supplement the lower pension, Kaiser is improving its retirement program by adding a 100% match of

² As with its service classifications, UC has a "range" wage system for techs with no guarantee of movement through the range, while Kaiser has a "step" wage system with annual movement up the steps. The UCD contractual wage range for Principal Rad Tech is \$27.74 per hour – \$36.06 per hour. According to data provided in an information request from UC, the average hourly wage for Principal Rad Techs at UCD is \$35.11 per hour, with no one earning more than \$35.84 per hour. The bottom step for Kaiser Sacramento Radiologic Tech V is \$35.88, higher than the most senior Principal Rad Tech at UCD. Kaiser Sacramento's Rad Tech V top step wage is \$45.45 per hour. For purposes of comparison, the top step was used, since it would take 9 years in the Rad Tech V classification to reach the top step.

employee contributions to a retirement savings account, up to 1.25% of employee salary starting in 2008.

As I said before, UC management is seeking to require that employees pay 5% into the defined benefit pension. At Kaiser, the pension is fully employer-paid, with no employee contribution. Also, it should be noted that since UC rad techs earn \$21,590 per year less than at Kaiser, they are less able to contribute toward their own retirement than employees at comparators.

Best practices – pension governance

UC also does not follow best practices in another area relating to the pension, and that is on internal governance. The other state public funds, CalPERS and CalSTRS, have governance structures and policies that protect the interests of plan participants with policies and procedures that guarantee fiduciary responsibility, transparency, and ethical behavior. UC falls short in this area.

CalPERS and CalSTRS are both governed by boards of trustees that include employees and retirees elected by plan participants and appointed employer representatives. Funds with this type of joint governance have been shown to provide better benefits for workers, are generally financially healthier and have proven to be far more secure than unilaterally managed plans.

The UC pension plan is governed exclusively by the board of Regents with no employee input on substantive issues. At their bimonthly meetings, the Regents address pension issues only infrequently and only as to the most pressing issues. Five UC unions, two UC Regents and the Senate Education Committee have all gone on record supporting the principle that UC employees should have representation on the board of their own pension plan, but still UC has made no changes.

Without employee pension trustees at UC, the Regents have chosen to increase retirement benefits for executives only. The Regents have also paid scant attention to internal governance policies that protect the interests of plan participants, reduce conflicts of interest, and ensure open meetings and transparency in general.

Governance policies

In contrast, CalPERS and CalSTRS follow best practices with regard to their internal governance policies. They have governance committees that have created a comprehensive set of policies. CalPERS' comprehensive rules range from preventing board members from having contact with anyone bidding on a CalPERS contract to strong conflict of interest prevention language. CalSTRS also just went through a long process to review and strengthen its already strong policies. Its rules include preventing undue influence by board members on staff.

Recent disclosures of conflicts of interest on the UC pension suggest that UC would greatly benefit from a comprehensive review and reform of its internal governance policies. Several news outlets have recently written about potential conflicts of interests between investment advisors to the UC Regents and investment management companies. One Regents advisor failed to disclose that he had a financial interest in a company that was given a contract to manage UC pension equity funds and also failed to disclose that his daughter's company was bidding on another contract to manage UC money. In response to the media attention, the UC regents have unilaterally proposed changes to their conflicts policies that still do not call for public disclosure and that do not prevent conflicts and the appearance of conflicts from occurring.

Of even greater concern, in 2000 the Regents chose a new Investment Consultant for the Plan who had political ties to one Regent. Since the time, the Plan's investment performance has sunk from the top quarter of comparable plans nationwide to the bottom quarter of such plans. These developments have led state legislators to introduce a resolution calling for the regents to create a joint governance board.

Best practices - retiree medical benefits

The retiree medical benefit we have at UC is very important to us. And like pension, it's why a lot of us stay at UC, despite the low pay.

Retiree medical benefit at UC

At UC, the employee and the employer share the cost of monthly healthcare premiums. Each year, UC has been shifting more of the cost of health care on to employees. Under UC's "pay band" system, higher paid employees pay higher monthly health care premiums than lower paid employees, though lower paid employees pay a greater share of their income for health insurance than higher paid employees. Low paid employees are in pay band 1, with higher paid employees in pay band 4.

The way retiree medical works at UC is that if we worked at UC for 20 years or more, UC continues to pay the employer share of the monthly premium when we retire. If we worked at UC for less than 20 years, we also have to pay part of the employer's share – up to half if we worked at UC for 10 years. There is also some benefit for older workers who worked 5-9 years and retire from UC.

Upon retirement, employees continue to pay the employee share of the monthly health care premium. All employees pay the "pay band 2" monthly premium rate for retiree medical care – which means that the lowest paid employees have to pay higher monthly premium rates in retirement than they did as employees, while higher paid employees pay less.

The best practices for pension funds are also best practices for retiree medical

We know the retiree medical liability is large at UC. As UC tackles this problem, employees want it to follow the same best practices as those that apply to pensions. We need the following for retiree medical at UC:

- **Guarantee:** A guarantee of retiree medical is an important recruitment and retention tool. That's why retiree medical benefits need to vest, like pension benefits.
- **Pre-Funding:** Pre-funding is the best way to ensure that the benefit will be there in the future.
- **Good Governance:** Joint labor-management governance is needed to safeguard retiree medical trust funds and ensure that the funds are managed in the interests of plan participants and beneficiaries – just like with pensions.

As a final note on retiree health, I would like to point out that UC has not contributed a dime to its pension during its 17-year contribution holiday. If UC had had the foresight to pay even 2% into a trust fund for retiree health during the contribution holiday, it would have helped lower its retiree health liabilities now.

Conclusion

In summary, UC's pension and retiree medical benefits are important recruitment and retention tools for the University, especially in view of its low wages. To follow best practices that help ensure strong benefits, financial health, and pension security, UC must create a jointly governed pension and retiree health board of trustees, with elected employee representatives and appointed employer representatives. Such a board could help UC follow the internal governance best practices that are the norm for the other state public pension funds.