Bargaining Update: Pension benefits for nurses and UC’s Retirement Choice Program

UC met with the California Nurses Association on June 6-7 to continue negotiating a new contract for UC nurses. Retirement benefits has been a key discussion item in these contract negotiations. Under UC’s proposal, current nurses would keep the same excellent pension benefits they have now. For future nurses hired after a new contract is ratified, UC is proposing its Retirement Choice Program. Below is information on these topics.

Q. Who does UC’s Retirement Choice Program proposal apply to?
A. The program would apply to only new nurses hired after a new contract is ratified, under the university’s proposal. All current nurses will stay on their current pension plan and see no change in their accrued UCRP pension benefits. Accrued UCRP benefits are protected by law and cannot be reduced or revoked.

Q. What is the Retirement Choice Program that UC is proposing for new nurses?
A. The proposed UC Retirement Choice Program is a new set of retirement benefits that would be offered to future nurses when a new contract is ratified. The program offers these employees a choice between a pension and a 401(k)-style plan.

This program came out of the 2015 budget agreement between UC and the state. UC agreed to implement a new category of pension benefits for new employees that mirrors the cap the state of California enacted in 2013. This cap, known as the California Public Employees’ Pension Reform Act, limits the amount of employee pay (currently $118,775, adjusted annually) that counts toward pension benefits. As a result, UC developed the 2016 Retirement Choice Program, which also includes the addition of the 401(k)-style plan. The program is part of a broader effort to maintain UC’s excellence and long-term financial health.

Q. Why is the Retirement Choice Program being offered in union negotiations?
A. Benefits for union-represented employees are subject to bargaining. UC believes in fair treatment for all employees, and is simply offering newly hired represented employees the same benefits as newly hired non-represented employees.

Q. What if a future nurse hired after contract ratification doesn’t want the 401(k)-style plan – can he/she still be in the UC pension plan?
A. Absolutely. Under the Retirement Choice Program, employees choose which option they think is right for them depending on their age, how long they plan to work at UC, their personal financial situation and other factors. The pension remains an option for those who prefer it.

Here’s how it works: A newly hired eligible employee would have 90 days to choose between a pension and 401(k)-style plan. If they don’t make a selection within 90 days, the default is the pension plan. In other words, an employee must affirmatively choose the 401(k)-style plan. No new hire will be defaulted into the 401(k)-style plan.

Q. If a significant number of new employees choose the 401(k)-style option, will it “destabilize” the UC Retirement Plan (UCRP)? Will it compromise UC’s ability to provide long-term pension benefits?
A. No – accrued pension benefits are safe. The health of the UCRP is not dependent on how many new employees choose it. UC’s independent actuary has confirmed that as long as UC continues to make contributions to its unfunded liability, which remains a key university priority, allowing new employees to elect the 401(k)-style option does not jeopardize UC’s ability to pay pension benefits.

Q. If many new employees choose the 401(k)-style option, will UC still pay me my UCRP pension benefits?
A. Yes. UC is obligated, both by law and university policy, to pay all earned UCRP benefits.

Q. Will UC continue to pay down its unfunded pension liability if a significant number of future employees choose a 401(k)-style plan?
A. Yes. Reducing UC’s unfunded pension liability remains a key budget priority. UC contributes the same amount toward the unfunded liability, regardless of which retirement benefits new employees choose.

Q. I have heard that UC must spend $500 million to fund the 401(k)-style option. Is this true?
A. No, this is not accurate. That estimate is fundamentally flawed because it misinterprets certain costs of the new program. The fact is the new choice program does not impact UC’s cash flow or operating costs.

More details about the Retirement Choice Program: http://ucal.us/retirementchoice