



## Labor Coalition

*Representing Over One  
Million Labor Union  
Members in California*

American Federation  
of State, County &  
Municipal Employees

California Association  
of Professional Scientists

California Association of  
Psychiatric Technicians

California Community  
College Independents

CDF Firefighters

California Faculty Association

California Federation of Teachers

California-Nevada Conference  
of Operating Engineers

California Professional Firefighters

California School  
Employees Association

California State  
Employees Association

California State Firefighters  
Association

California Teachers Association

Faculty Association of California  
Community Colleges

Glendale City Employees Association

LIUNA Local 777

LIUNA Local 792

Orange County Employees  
Association

Organization of SMUD Employees

Peace Officers Research  
Association of California

Professional Engineers  
in California Government

Public Employees Local #1

San Bernardino Public  
Employees Association

San Diego County Court  
Employees Association

San Luis Obispo County  
Employees Association

Santa Rosa City  
Employees Association

SEIU Local 1000

Service Employees International  
Union, California State Council

Union of American Physicians  
& Dentists

May 28, 2015

The Honorable Kevin de León  
President pro Tempore  
California State Senate  
State Capitol, Room 205  
Sacramento, California 95814

### RE: New UC Employee Retirement Plans

Dear Senator de León

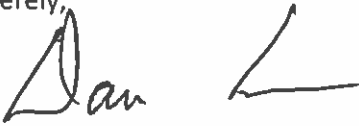
The Labor Coalition strongly opposes the amendment to the budget proposed by the Department of Finance pertaining to adopting a program for new employees in which an employer can elect either a defined benefit plan that includes a cap on pensionable compensation or a full defined contribution plan. This amendment is contained in the attached letter from the Department of Finance.

We do not object to this plan as it pertains to management employees, but we strongly oppose the application of this plan to bargaining unit employees for the following reasons.

1. This deal was cut in secret with no input from staff and no collective bargaining. The Legislature should not rubber stamp a secret deal that violates collective bargaining law.
2. This proposal does not address numerous important details that should be fleshed out at the bargaining table. These include mandatory employer contributions, contribution levels, investment training and education, opportunity to opt back into the defined benefit plan and process to purchase retirement credit. These are extremely important details that require negotiations and discussion between the employer and union.
3. This proposal allows the employer to shift 100% of the risk to the workers. Although it is proposed to be voluntary, it forces new employees to make a monumental financial decision with no education, data or knowledge of the short and long term consequences.
4. If large numbers of new employees choose to leave the defined benefit plan and join the defined contribution plan, the cost of the defined benefit plan could skyrocket because too few new employees will enter the plan. This will, in effect, create a closed plan and assets will have to be reallocated to pay benefits. This will increase costs to the plan and to the employer.

It is our position that the imposition of this option without first bargaining with UC employee unions is illegal. We further assert that it is bad policy and we ask for your "NO" vote on this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Low". The signature is stylized and includes a large, sweeping flourish that extends to the right.

Dave Low  
Chairman, Labor Coalition

cc: Members, Labor Coalition  
Keely M. Bosler, Chief Deputy Director, Department of Finance

Attachment  
DL:ct



DEPARTMENT OF  
**FINANCE**  
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR

STATE CAPITOL • ROOM 1145 • SACRAMENTO CA • 95814-4998 • WWW.DOF.CA.GOV

MAY 14 2015

Honorable Mark Leno, Chair  
Senate Budget and Fiscal Review Committee

Attention: Mr. Mark Ibele, Staff Director (2)

Honorable Shirley Weber, Chair  
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to and Addition of Various Budget Bill Items, Support,  
University of California**

**General Fund Resources for the University of California (UC) (Issues 036 and 038)—It is requested that Provision 2 of Item 6440-001-0001 be removed.**

Following the UC Regents' November 2014 action to authorize the UC President to increase student tuition by up to 28 percent over five years, the Administration and the UC President undertook a review of UC as part of a select advisory committee to develop and evaluate proposals to reduce the University's cost structure, while maintaining or improving access, quality, accountability, and outcomes.

After months of data review, discussions between the Administration and the UC Office of the President, and interviews with higher education experts, faculty and staff at UC campuses, and undergraduate and graduate students, the Governor and the UC President have agreed that UC will undertake a number of reforms to manage its operations more effectively and that the President will strongly recommend that the Academic Senate undertake reviews of additional reforms. Implementation of these reforms will allow UC to better serve existing students and reduce its future operating costs so that students will have access to an affordable UC education in the years to come.

Under this framework, tuition for California undergraduate students will remain flat through 2016-17.

It is further requested that Item 6440-004-0001 be added in the amount of \$96 million. Chapter 296, Statutes of 2012 (AB 340), establishes the Public Employees' Pension Reform Act of 2013 (PEPRA). Notably, the statute limits the compensation used to calculate pensions for new employees hired after January 1, 2013, in state government, local government, and schools. For members who participate in Social Security, PEPRA caps pensionable compensation at the Social Security Wage Base, with adjustments using the Consumer Price Index. The 2015 cap is \$117,020. (For members who do not participate in Social Security, the cap is 120 percent of that amount.) The University of California Retirement Plan complies with an Internal Revenue Service cap of \$265,000.

By July 1, 2016, the Regents will adopt a program for new employees in which an employee can elect either a defined benefit plan that includes a cap on pensionable compensation consistent with PEPRA (with, for some employees, a supplemental defined contribution plan) or a full defined contribution plan. By creating such a pension program to control long-term costs, UC will be eligible to receive Proposition 2 debt funds to pay down UC's pension liabilities.

It is further requested that the following language be added to conform to this action:

6440-004-0001—For support of University of California.....	\$96,000,000
Schedule:	
(1) 5440-Support.....	\$96,000,000
Provisions:	
1. The amount appropriated in this item shall be released only upon certification by the Director of Finance that the Regents of the University of California have approved a retirement program that limits pensionable compensation consistent with the limits specified in the Public Employees' Pension Reform Act of 2013.	

The May Revision Budget Summary includes additional details regarding the framework.

**Adjust Funding for Tobacco-Related Disease Research (Issue 035)**—It is requested that Item 6440-001-0234 be decreased by \$1,661,000 to reflect available resources in the Cigarette and Tobacco Products Surtax Fund Research Account (created in Proposition 99).

**Add One-Time Funding for Earthquake Engineering Research (Issue 033)**—It is requested that Item 6440-001-0308 be added in the amount of \$431,000 on a one-time basis to appropriate the unencumbered balance in the Earthquake Risk Reduction Fund.

It is further requested that the following language be added to conform to this action:

6440-001-0308—For support of University of California, payable from the Earthquake Risk Reduction Fund of 1996.....	\$431,000
Schedule:	
(1) 5440-Support.....	\$431,000
Provisions:	
1. Notwithstanding subdivision (a) of Section 1.80, the funds appropriated in this item shall be available for expenditure until June 30, 2018.	

**Trailer Bill Language**

**Extend Authority for the California Health Benefit Review Program**—It is requested that trailer bill language be included to authorize the California Health Benefit Review Program for the 2015-16 fiscal year. The Governor's Budget funds the California Health Benefit Review Program from the Health Care Benefits Fund in 2015-16. Existing law authorizes the program through December 31, 2015. This proposal would extend authority for the program through June 30, 2016.

The effect of my requested action is reflected on the attachment.

MAY 14 2015

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If you have any questions or need additional information regarding this matter, please call Christian Osmena, Principal Program Budget Analyst, at (916) 445-0328.

MICHAEL COHEN  
Director  
By:

/s/ Keely M. Bosler.

KEELY M. BOSLER  
Chief Deputy Director

Attachment

cc: Honorable Ricardo Lara, Chair, Senate Appropriations Committee  
Attention: Mr. Mark McKenzie, Staff Director  
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee  
Attention: Mr. Seren Taylor, Staff Director  
Honorable Jimmy Gomez, Chair, Assembly Appropriations Committee  
Attention: Mr. Pedro R. Reyes, Chief Consultant  
Honorable Melissa Melendez, Vice Chair, Assembly Budget Committee  
Attention: Mr. Eric Swanson, Staff Director  
Honorable Marty Block, Chair, Senate Budget and Fiscal Review Subcommittee No. 1  
Honorable Kevin McCarty, Chair, Assembly Budget Subcommittee No. 2  
Mr. Mac Taylor, Legislative Analyst (4)  
Mr. Craig Cornett, Senate President pro Tempore's Office (2)  
Mr. Christopher W. Woods, Assembly Speaker's Office (2)  
Mr. Jim Richardson, Policy and Fiscal Director, Assembly Republican Leader's Office  
Mr. Nathan Brostrom, Executive Vice President and Chief Financial Officer, University of California  
Office of the President  
Ms. Debora Obley, Associate Vice President, Budget Analysis and Planning, University of  
California Office of the President