The Faculty Executive Committee (FEC) of the Henry Samueli School of Engineering and Applied Science (HSSEAS) has discussed the Retirement Options Task Force (ROTF) Report to the President and collected comments via email discussions.

First of all, the FEC appreciates the difficult work of the ROTF within the impossible constraints imposed on it from above. However, the FEC was dismayed at the extremely short timeline provided for review of this very complex and lengthy document (nearly 100-pages), which prevented discussion at a regularly scheduled meeting. This is especially true given the dramatic effect the proposed changes will have on faculty compensation and benefits. The manner that this deal was reached is not in keeping with the principles of shared governance.

In short, both of the proposed options appear to be a “bad deal,” both for the UC as a whole, as well as specifically for the faculty of HSSEAS. The analysis shows that both a pure defined contribution (DC) and hybrid defined contribution and defined benefit (DB) options result in significant reductions in the percentage of retirement income compared to the 2013 plan. For the hybrid plan, it is likely that most faculty in HSSEAS will reach the PEPRA cap for salary ($117K in 2016) by mid-career or earlier, thus eliminating the benefit of future salary increases on retirement benefits. This will have serious implications in our ability to retain high performing mid-career faculty and fend off competing offers – there will be less incentive to stay. If a pure DC model is adopted, then retirement contributions are be completely portable, giving a faculty member even less incentive to stay at UCLA.

The proposed retirement plan changes effectively reduce total compensation, which will either reduce our competitiveness with other universities, or must be made up through increased salary. A recent study of university-wide compensation (http://compensation.universityofcalifornia.edu/total-remuneration-ladder-rank-faculty-2014.pdf) already finds that our current total remuneration is on average 10% lower than market. The School of Engineering competes with industry and top-tier private universities for faculty – both of which often offer generally higher salaries (in some fields dramatically higher). The proposed reduction will make this task that much more difficult. Furthermore, even though the proposed changes do not directly affect current faculty, there may be a negative effect of creating a “two-
tiered” system between current faculty and new hires, which may degrade the overall climate within departments.

If the proposed changes in the retirement plan are in fact unavoidable, we urge steps to preserve the competitiveness of overall compensation for new employees. For example, this might take the form of additional employer contributions to the DC or hybrid-DB/DC plan, which can mitigate the effect of the lower PEPRA cap, as described in the provided document “Guide to reviewing the recommendations of the ROTF.”

Please feel free to contact me if you have any questions regarding this memo.

Sincerely,

Benjamin Williams
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Associate Professor
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UCLA