

UPTE-CWA FACT SHEET

UC Retirement Plan (UCRP) misled: Gives Private-for-Profit Company a \$372,000,000 bailout due to an accounting irregularity. We want this UCRP money back!



PROFESSIONAL
AND TECHNICAL
EMPLOYEES

CWA Local 9119
AFL-CIO

representing
employees at the
University of
California

2510 Channing Way
Suite 11
Berkeley, CA
94704

phone (510) 704-8783
fax (510) 704-8065
info@upte-cwa.org

www.upte.org

Contacts:

Roger Logan/LLNL, retired (925) 455-8302
Rodney Orr, Legislative: (805) 455-2813

Jeff Colvin/LLNL (925) 422-3273
Jelger Kalmijn, President: (619) 370-3753

Background, October 2007:

Lawrence Livermore National Laboratory transitions to private for-profit LLC management:

- UC pension fund is split between UC and new LLC.

- Management & Operating (M&O) Contract for Lawrence Livermore National Laboratory (LLNL) awarded to new startup private company, Lawrence Livermore National Security (LLNS, LLC).
- Transitioning employees required to choose whether to leave their pension funds with UC or transfer them to the new company's "substantially equivalent" pension plan
- Calculation performed to determine the asset split between the funds that stay in UCRP (the LLNL retained segment) to cover the obligations to current LLNL retirees and transitioning employees who chose to leave their pension funds in UCRP, and funds transferred to the new LLNS, LLC pension fund.

Analysis:

University of California pension fund asset split leaves UCRP underfunded:

- Inappropriate windfall asset gain goes to private for-profit LLNS, LLC.

- Through an accounting irregularity in the asset split calculation:
 - Our LLNL retained segment of UCRP started out about 10% under funded
 - (contrary to what both UC and LLNS told employees back then)
 - LLNS, LLC pension fund started out way over funded, by about \$372M.
 - Specifically, Market Value and Actuarial Value were mixed inappropriately in the calculation.
- The result was a huge windfall asset gain for the new company at the expense of UCRP.
- Asset transfer agreement *appears to* obligate DOE to keep UCRP_LLNL segment funded at 100%.
 - If UCRP segment is underfunded, DOE has seven years (exactly the term of the DOE-LLNS contract) to bring it up to full funding.
 - However, DOE is *not* obligated to reimburse UCRP for its practice of giving a Special COLA during periods of significant inflation.
 - Special COLA is the only insurance retirees have that their pension will retain purchasing power
 - Special COLA is an essential part of UCRP, especially given the past years' fiscal stimulus policies which are perhaps necessary but inflationary in the long term.
- Now, due to the changing stock market and economy, UC faces a budget shortfall and is threatening to restart employee contributions to UCRP, and burden California taxpayers with additional requests.
- Why should UC employees, retirees, and California taxpayers subsidize the new private-for-profit LLNS, LLC startup because of an accounting irregularity?

Requested Action: Re-do asset split calculation, re-balance UCRP/LLNS asset split

- The new startup LLNS, LLC made off with about \$372,000,000 of our UCRP funds.
 - We want it back, for the sake of the California *and US federal* taxpayers, UC, the UC retirees, and current UC employees facing a premature restart of UCRP contributions.
 - This set of people should not have to provide a \$372,000,000 back door bailout for the private-for-profit LLNS, LLC.
- The accounting of this transfer must be revisited using consistent units (compare Market Value of Assets to Market Value of Liabilities instead of mixing units) to make our UCRP whole.

Fixing this Accounting Irregularity with recovery of our \$372M UCRP funds will help avoid the need to restart UCRP contributions and help all of UC!