# DOE National Lab Employees and UC Benefits

## Academic Council Special Committee on the National Laboratories (ACSCONL)

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Like some other features of the UC/DOE Labs contract, UC's providing benefits for lab employees is designed to be "no cost-no gain" for the University. Since the inception of the labs, UC has provided health and retirement benefits to lab personnel comparable to those offered to UC academics and staff. This situation is likely to continue should UC continue to manage the labs, but if another entity won the contract to manage one or more of the labs, how might lab employee benefits change, and would there be implications for other UC employees?

Consider first UC's role in providing health insurance for lab employees. Currently, the portion of a health premium that UC funds for its employees is paid for by DOE for Lab employees. The employer portion of retiree health benefits is paid for by the DOE for those employees who retired from the Laboratories, just as UC pays for its other retirees. Currently, Lab retirees participate and contribute to health and welfare programs under the same rules as other UC retirees.

If UC did not continue to manage the labs, the benefits for Lab employees would be borne by the new manager, and contributions by Lab personnel would be made under the rules of the new manager's program. Health care premiums and benefits are almost all paid yearly – "pay-as-you-go". As health insurance becomes more expensive, UC or Lab employees have higher premium payments. So a new Lab manager(s) would have to determine how this annually paid benefit would be funded – but this would not require any funding from UC. At present, UC health benefit costs for Lab retirees are paid for entirely by the DOE. Under a new manager, we presume that the DOE will either pay (or reimburse UC annually) for the health benefits costs for retired Lab personnel. This should not be a drain on UC resources unless providing health care to retirees in New Mexico were to increase the health care rates for the entire UC system. This last issue will require careful study and analysis.

The UC Retirement System has been as good to the Lab Employees and DOE as it has for other UC employees – i.e. there has been no employee (or employer) contribution since 1994, and employees paid a much-reduced contribution for 5 years before that. Thus the Lab Employees get a terrific retirement benefit, and currently neither they nor DOE is paying into UCRS – but then neither are UC and University employees paying into UCRS now. So, again, there is a nearly exact parallelism between UC employees and DOE Lab employees and their benefits

What happens to UCRS if UC no longer manages the Labs? The current contract between DOE and UC requires that any division of retirement funds not adversely affect UC. However, any divorce requiring the parties to split a retirement account containing tens of billions of dollars is not likely to be easy. By happenstance, UCRS is only slightly overfunded at present to be able to meet its "liabilities" for expected payments for current

and future employees. The fact that UCRS is neither much in excess nor in deficit regarding future liabilities makes a dissolution between UC and DOE easier than it would be if UCRS either had a large surplus or deficit for expected expenses. Although precisely what is meant be "no loss-no gain" probably would require teams of accountants, actuaries and attorneys, there is at least a reasonable hope that an amicable agreement on how to divide the UCRS assets and/or liabilities can be reached. In addition, similar to the 3+ year process required to obtain IRS and other approvals to separate the retirement benefits for UCSF/Stanford employees who returned to UC employment, there likely will be a number of regulatory agencies involved in any separation of DOE Lab employees from the UC retirement system.

Thus, although UC faculty and staff might understandably worry about their benefits being harmed by the DOE Labs having another manager than UC, it is likely that UC campus employee benefits would not change much if someone else manages the Labs. For Lab employees, health and retirement benefits would be provided by the new managing entity. For those employees, there are likely to be similar health benefits to those provided by UC. Lab employees, however, do face the possibility that a new manager may want to consider moving employees into the retirement program that covers the new manager's employees, which could be a defined benefit program very similar to UCRS or could be very different (such as a defined contribution plan).