

UCATS

MOMENTUM EXTRA!

Union of Clerical, Administrative, & Technical Staff at NYU, Local 3882, NYSUT, AFT, AFL-CIO, 636 Broadway, Rm. 614, NY NY 10012

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The UCATS Pension Benefit

As we approach contract negotiations a frequent question we get is how come NYU doesn't match staff contributions to their 403B retirement savings accounts as they do for faculty and administrators. The reason is that we have a defined **benefit** pension plan in our union contract which Faculty and Administrators do not have. NYU is fully responsible for funding our pension plan which guarantees a lifetime income when we retire based on a formula negotiated in our union contract. A 403B retirement savings account is a defined **contribution** plan, the value of which fluctuates with an employee's ability to contribute to it, and the success (or failure) of the investment choices made by the employee.

<u>DEFINED CONTRIBUTION PLAN</u> (Faculty & Administrators)	<u>DEFINED BENEFIT PLAN</u> (UCATS Members)
Employee must contribute to receive NYU match	Plan is fully funded by NYU
Retirement income not guaranteed	Guaranteed income at retirement
Retirement income is dependent on how well the stock market is doing at retirement	Pension is determined by a union negotiated formula unrelated to the stock market
Employee can run out of money in retirement	Provides lifetime income
NYU can decide at any time to decrease or eliminate their matching contribution	Pension plan is written into the contract; NYU must negotiate any changes
Employee decides how to invest the money in his/her account — if those investment choices lose money, that's their problem	Pension is protected by federal law called the Employee Retirement Income Security Act (ERISA) which requires NYU to be a responsible steward of our pension plan

The defined contribution plan (403b) requires an employee to enroll in a **salary reduction agreement** which reduces their current take home pay; when the stock market goes down the value of their retirement plan goes down with it. As a point of reference, the Nasdaq is currently down about 70% from its high's of just 5 years ago. There's no guarantee where the stock market will be when an individual retires.

To lend some perspective to this discussion, suppose you were a 15-year employee in 2000 and the value of your 403b was \$100,000. Assuming the value of your portfolio declined only 30% in the subsequent market downturn (to \$67,000), but you were diligent, and continued your contributions over the last 5 years, such that the current value of your portfolio has recovered to \$85,000 now that you are ready to retire after 20 years. You would have \$8,500 per year for 10 years before your money ran out, assuming there are no further declines in your portfolio, and maybe a few thousand for another year or two if it increased.

With the staff pension plan, however, a grade 8 secretary retiring this year, with 20 years of service, would receive about \$11,500 for life - regardless of how the stock market performed. Considering that the life expectancy of our generation is well in excess of age 75, our union negotiated pension plan is a much better safety net for a secure retirement than the matching contributions NYU makes to the 403b plans of faculty and administrators.