

ACADEMIC COUNCIL

Minutes of Meeting

Wednesday, September 29, 2010

I. Announcements**▪ Daniel Simmons, Academic Council Chair**

1. Chair Simmons stated that in response to AB 2302, which requested that UC take action to facilitate transfer, UCOP will convene faculty members from each undergraduate campus to identify common courses required for major preparation in five fields—computer science, history, psychology, math, biological sciences.
2. Part of the October Council meeting will be spent discussing two issues with the Executive Vice Chancellors—post-employment benefits options and costs and how any potential salary increase for faculty should be structured.

II. Approval of the Agenda**ACTION: The agenda was approved as noticed.****III. Presentation on Post-Employment Benefits Options****▪ James Chalfant, UCPB Chair and Member, PEB Task Force**

Professor Chalfant made a presentation on the options under consideration for post-employment benefits. His PowerPoint presentation can be found [here](#) and a voice over also is available on the Academic Senate [website](#). He stated that the University is facing three major fiscal problems: unfunded liability for UCRP and retiree health, uncompetitive faculty and staff salaries and inadequate state support. He argued that the post-employment benefits (PEB) recommendations should be evaluated based on how they will help to ameliorate these problems. The members of the PEB Task Force agreed to substantial cuts in retiree health benefits, requiring retirees to increase their contributions from 11% to 30% (the University provides better retiree health benefits than its comparators). Retiree health benefits are not vested rights and the University could cut them further, but the faculty members do not favor further cuts. Currently, retiree health costs constitute a little over three percent of payroll (approximately \$240 million). Retiree health cuts can not produce the funds needed to pay UCRP contributions; because the University does not “pre-fund” retiree health, this is not a large source of funds for other uses. It would be 20 years before benefits cuts could make a difference in UC’s operating budget. As of July 1, 2009, UCRP had a \$12.9 billion unfunded liability due to a twenty year contribution “holiday.” Restarting contributions is overdue and absolutely necessary. A long-term financing plan is also needed. But reducing benefits will have no effect on the accrued unfunded liability, but only on the “normal cost” of future benefits. UC salaries currently are uncompetitive across employee groups. Cutting benefits will further erode competitiveness. In summary, cutting benefits will not address the liability incurred by past service, and will only hurt the University’s ability to recruit and retain faculty and staff. Furthermore, state support is inadequate, but is of sufficient magnitude that it can not be replaced by alternative revenue sources. UCRP’s unfunded liability grows at 7.5% annually, so the current budget situation can not be an excuse to delay dealing with the unfunded liability. If

the University does not pay into UCRP, it can not require contributions to be made from outside contract and granting agencies or medical centers. Two dollars of non-state contributions are lost for every \$1 of state contributions that are not made; the University will not be able to recover these dollars in the future. The Task Force agreed that, absent state funds, the University should borrow from its Short Term Investment Pool to cover the employer contributions to UCRP and to slow the growth of the unfunded liability.

What would be effective? Providing incentives to delay retirement, developing a long-term financing strategy, and achieving competitive total remuneration, all would be effective strategies to address the three fiscal problems outlined above. We need salary increases to compensate for reduced benefits in order to remain at our current level, which already is uncompetitive. The new tier plans will have no effect on accrued pension liability, little effect on future liability for many years, and no effect on the operating budget for 20 years. Therefore, savings from cutting benefits are illusory and at the same time will make UC less competitive. The Task Force report does not acknowledge that competitive benefits are necessary.

The fundamental question should be what effect will the actions taken now have on the University's excellence? There is no difference in operating cost among the three plans for 20 years. Then, Option A's costs start to decline, and Option C prolongs the greater contributions. Option C is similar to the current UCRP, but eliminates the lump sum option, changes the survivor benefit and caps the cost of living adjustment. Option C reduces the percentage of covered compensation from 17.6% to 15.1% because it will change retirement behavior (people would retire 5 years later; anyone who retires at age 65 would essentially have the same retirement benefits as under the current plan). The contribution percentage is the same for all employees—6%. The administration's critique of Option C is that it is not progressive and therefore is unfair to lower paid employees. But, like in the current UCRP, Option C would provide the same benefit and same treatment to all employees. Under Options A and B, upper income employees would receive a greater percentage of their income than lower paid employees, while under Option C everyone would receive the same percentage of their salary. Note that the "integration" of Options A and B with Social Security is not formal integration. It simply means that the Social Security that can be expected, was taken into account in deciding how much of HAPC (highest average working income) should be replaced by a pension from UC. In short, it is a justification for cutting benefits. The focus should be on total remuneration, not on an arbitrary level of income replacement. The faculty and staff members of the Task Force issued a dissenting statement, arguing that no pension plan should be adopted based on future hypothetical salary increases. Option A is unacceptable because it would not be competitive even if the salary gap were closed. Options B and C could be competitive only if the salary gap is closed. Option C is simpler and more transparent than B. The dissenting statement also holds that employee contributions for should not exceed 7%. In fact, the plans do not address the level of contributions required of employees. The projections are based on a 7% employee contribution, but it could be higher.

IV. Consultation with the Office of the President – Senior Managers

- **Mark Yudof, President**
- **Lawrence Pitts, Provost**
- **Marsha Kelman, Associate Vice President, Policy and Analysis**

UCRP. President Yudof stated that the Regents unanimously improved a substantial increase in the employer and employee contributions to UCRP. While this effectively is a pay cut, it puts the University on the right track to ensure that funds will be there for all current employees' retirements. The president stated that he is worried about the competitiveness of compensation, as well as where the campuses will find the money to fund the contributions, but he noted that UCOP staff are evaluating alternative sources of funding.

State legislature. President Yudof said that he feels that the relationship between the University and the legislature has improved. Speaker Perez is pro-UC, as is Speaker Pro-Tempore Steinberg. He stated that he is optimistic that the University will receive a larger budget allocation than last year, up to 40% of the amount cut in 2009. However, it appears that the legislature will deduct \$106 million, equivalent to the amount of federal American Recovery and Reinvestment Act funds the University received; these funds were supposed to be supplemental. The good news is that the legislature will allocate \$10 to 12 million for retiree health benefits, and the statutory language precluding the legislature from funding UCRP will be eliminated, although no funds will be allocated this year for that purpose. President Yudof stated that he supports the Dream Act. The University has 500 to 700 undocumented students who can not work or receive financial aid. The University is examining the possibility of securing foundation funding for these students.

Commission on the Future. The Commission on the Future is coming to a close. A draft final report will be presented at a meeting in September.

Q&A

Q: You mentioned that staff are examining alternatives to PEB Options A, B and C. How will an alternative be reviewed? We are organizing town halls on campuses based on only three options.

A: President Yudof suggested moving forward with the review of the three plans that have been released. Any number of variables of these plans could be combined into a final plan. The more information he has on employee reactions to A, B, and C, the better any final plan will be. He noted his concern that some of the plans integrated with Social Security would have an adverse effect on lower income employees. Provost Pitts added that other plans being developed are very close to the plans already under consideration; the differences are merely "tweaks."

Q: Are you considering adjusting salaries this year to compensate for the diversion of salary into UCRP?

A: President Yudof responded that he is not considering adjusting salaries at this point. Since the state has not finalized a budget, he does not know if the University would have the funds to do so. He stated that his minimum objective is to "make people whole" by providing enough of a salary increase to cover the increased contribution to UCRP. His optimal plan would be to provide salary increases beyond that. Once a budget is finalized, he will be able to consider this question. He also noted that he needs to decide whether there should be a fee increase and if so, how much.

Q: Regarding the change in retirement benefits, most employees are interested in what will happen to them, rather than to employees hired after 2013. In order to make an informed choice between the current plan and a new tier, employees need to know how much they will have to contribute to UCRP in the long term.

A: President Yudof responded that the employer will contribute 20%, and for employees, it will be "7% or more." He stated that he understands that this is worrisome for employees, but noted that

the only employees who would be interested in choosing the new tier are those who have so many years of service that they would rather make lower contributions. Employees will have a two year window—until July 2013—to make the decision, and an on-line calculator will be developed to help them figure it out.

Q: Does the University have a long-term financial plan with benchmark projections of expected revenues and liabilities that would help us decide how much we can afford?

A: President Yudof responded that the University does have models, but they are based on many assumptions, like the amount of state appropriations, when California will emerge from the recession, how much private funding could be raised, when the tax base will increase, how much the state would pay toward UCRP, etc..

Q: Over the past 20 years, we have seen a decline in state allocations to the University. Do you foresee any reversal of that trend?

A: President Yudof stated that this year it appears that the state will provide more funding than last year, but it still will be lower than what it provided in 2007-08. He believes that it will begin to increase again in three to five years, but it may depend on gubernatorial leadership.

Q: There are seven weeks between now and when the decision on post-employment benefits will be made. The options under considerations were not released until August 20. How can faculty and staff engage in an informed debate and form opinions in such a short period of time?

A: President Yudof replied that it actually has been a long process. The PEB Task Force has been in place for over a year. There has been plenty of consultation with Senate committees and staff representatives. He added that he even scheduled an extra Regents' meeting in December in order to provide sufficient time for review.

Q: What are the drivers that will influence you in the decision on post-employment benefits?

Faculty are concerned about maintaining the quality of the faculty. But you also have to deal with the perspectives of staff, legislators and Regents.

A: The primary drivers for me are how to maintain quality in order to recruit excellent faculty and maintaining parity between faculty and staff benefits in the name of fairness. Some of the Regents are concerned about the normal cost of the new tier.

Comment: BOARS is devoting its first meeting to discussing how to expand the holistic review admissions process used by UCB and UCLA to other campuses. It also is examining ways to create better relations with high schools.

A: President Yudof applauded BOARS' efforts. He stated that the University ought to have a UC day in all high schools, noting that he will visit four high schools with low income students this week to encourage applications, and that after he went to Sunnyside High, applications tripled. He also commented that he is proud that 39% of UC students are Pell Grant recipients.

Q: What is the plan for the Commission on the Future after next month's meeting? What do you hope will be the main contributions of the report?

A: President Yudof commented that some good recommendations emerged from the Commission and that the University reaffirmed its historic commitments through this process. However, it avoided anything that engendered controversy. Provost Pitts added that the process created a "worklist" for UCOP and a directive to work across departments and campuses.

Q: I am concerned about the morale of the faculty and am wondering what you can do to help.

A: President Yudof replied that it is a difficult time—hiring has been limited, furloughs negatively affected morale, etc. He stated that while he needs to focus on pragmatic solutions to budgetary challenges, he also has to keep an eye on a vision for UC. The question is how we can maintain UC's greatness within current budgetary constraints. Provost Pitts added that it is important to

remember that the University and the state will emerge from this downturn. In the meantime, the University can use its funding strategically, for example by providing seed money to encourage faculty across campuses to explore new research opportunities. He also noted that the University met with success in 75% of its recruitments and retentions this year, so things are not as bad as they seem. However, the majority of faculty are feeling stress about the state of the University. Morale will improve when campuses begin recruiting faculty again.

V. General Discussion. *Minutes were not taken for this portion of the meeting.*

VI. Senate Website Policy

ISSUE: In the past, only those reports or recommendations that were approved by the Academic Council were allowed to be posted on the Committees' pages on the Senate website. This policy is not encoded in the Senate Regulations, and committees have expressed interest in making available documents that were approved by the committee, whether or not they have been reviewed and/or approved by Council.

DISCUSSION: Chair Simmons stated that longstanding Senate website policy has been to post only formally endorsed positions. Are we comfortable with making letters public before Council has acted upon them? He expressed his personal view that committees' ability to make their views known should not be restricted as long as it is clear that these views are not endorsed by Council. However, at times, committees have taken positions that are contrary to Council and even outside of the mainstream of faculty opinion. A member noted that the landscape has changed since the policy was established—blogs have proliferated and the Senate must remain relevant. A member added that as faculty, we are in favor of academic freedom. A member noted that the Senate needs to offer guidance to faculty in the PEB process and that the timeline is so short, we can not wait for Senate processes and for Council to opine. A new policy would enable committees to post working papers that address complex topics, even though agreement may not be reached to endorse the entire paper. Several members agreed, and advocated developing a disclaimer that could be placed on any documents that are posted. One member disagreed, noting that one strength of the Senate is its ability to speak with a unified voice. Also, each committee looks at an issue from a particular perspective, and committees can disagree. A member countered that differences between committees reflect the intellectual richness of Senate debate and that having a record of the diversity of opinion is important. A member asked if minority reports could be posted as well. Chair Simmons responded that the committee would decide what is posted on their page. A motion was made to revise Senate policy to provide for the posting of adopted committee recommendations, positions and letters, as well as minority reports, on Committee pages on the Academic Senate website with a disclaimer that they are committee positions, not positions of the Academic Senate and are subject to review by Council. A friendly amendment was made to allow, but not require, links to committee-approved documents to be placed on public agendas. The amendment was accepted.

ACTION: Council unanimously approved the motion to revise Senate policy to allow Committees to post papers, reports or letters that have been approved by a Committee, but not by Council, providing they include a disclaimer that they are committee positions, not positions of the Academic Senate and are subject to review by Council. Council also voted to allow links to Committee positions to be posted on public meeting agendas at the discretion of the Committee.

VII. UCFW Endorsement of PEB Options

ISSUE: UCFW submitted a letter supporting the opinions in the statement dissenting from the PEB Task Force report, including the rejection of Option A. UCFW also submitted a separate letter explicitly rejecting Option A and preferring Option C. It asked: (1) that the Council join them in endorsing the dissenting statement, and (2) that the Council endorse UCFW's resolution on the proposed PEB options.

DISCUSSION: UCFW's chair requested that Council endorse the dissenting statement. A member opined that this would be premature since it is under review. Another agreed, and offered a substitute motion to postpone consideration of the item to a future meeting and to forward UCFW's letter to the divisions as background information for consideration in their review of the post-employment benefits options. Members discussed whether to add content to the cover letter commending the dissenting statement, but decided to let the deliberative process unfold without influencing the outcome.

ACTION: Council voted unanimously to send UCFW's letter endorsing the Dissenting Statement to the divisional chairs for consideration in their review of the PEB options.

UCFW's chair then requested that Council table UCFW's letter on the proposed PEB options and address it at its meeting in October.

A substitute motion was made to forward UCFW's letter rejecting Option A and supporting Options B or C, contingent on salary increases. A member expressed concern that endorsing the letter may commit the Council to supporting specific options, and asked what would happen if a fourth option emerges. Another member commented that the Senate agreed reluctantly to this accelerated review period. Any new proposal should set in motion a new round of Senate consultation. Vice Chair Anderson countered that a new option may be similar to the ones already under consideration. If so, it may not be reasonable to start the clock again. A member spoke in support of trusting UCFW's opinion, as it is the Senate's expert committee on the subject and can provide guidance and structure to the systemwide review. An amendment to the motion was made to include in the cover letter a reminder that existing Senate policy holds that raising contributions is contingent on salary increases. Several members spoke in opposition to the amendment. A member stated that decisions about pension options are long-term, while salary decisions are made every year. The amendment failed.

ACTION: Council voted unanimously to send UCFW's letter rejecting Option A and supporting Options B or C, contingent on salary increases, to the divisional chairs for consideration in their review of the PEB options.

Chair Simmons asked Council members to send him news about the positions emerging in divisional and committee discussions prior to Council's October meeting. While the formal reviews are not due until November 8, it would be helpful to have a sense of the deliberations so that he and Vice Chair Anderson can advise the president of likely Senate positions prior to the November Regents' meeting. Based on this information, they will draft a motion for Council to consider at the October meeting to advise the president. At its November meeting, Council will vote on a formal position for the Regents' meeting in December.

VIII. UCAP/UCFW/UCPB Recommendation to Restore the Faculty Salary Scales

ISSUE: Last year, a subcommittee of UCAP, UCFW and UCPB members made recommendations to restore the faculty salary scales in order to make faculty salaries more competitive and to strengthen the merit review system.

DISCUSSION: A member suggested that given that Council will discuss this issue with the EVCs next month, it would be valuable to have formulated a position. UCAP's chair stated that the three committees agreed that salaries are uncompetitive and that the scales need to be fixed, and that the salary plan is outdated. UCPB's chair noted that the recommendation does not prescribe how off-scale salaries should be handled; details will have to be decided jointly with the administration. A member asked whether the recommended range adjustment of 2% in 2010-11 would be applied across the board, to both on-scale and off-scale salaries. He noted that the request for a subsequent 5% adjustment specifies that it would apply to both, and noted that this is a departure from the spirit of the faculty salary plan. A member stated that it would be preferable to specify a concrete timeframe for the 5% range adjustment. Another member commented that faculty salaries currently lag comparators by 13%, but that the recommendations would provide only 7% of that gap, half of which would be distributed as a range adjustment. That would leave little room to fix the scales, which lag 30% behind the market. He argued that the University should either restore the salary scales or abandon them. A member noted that prior UCAPs had focused on restoring the scales. A member spoke in favor of the recommendation because it states that faculty salary increases should be a priority. A member suggested that an appropriate amount to apply across the board would be the amount needed to offset employee contributions to UCRP. Another member argued that the Council should send this message now rather than debating how any future funding for salaries should be allocated. A member countered that Council should not decide what percentage should go toward fixing the scales versus being applied across the board without knowing how much funding is available. He suggested separating the motions, voting on the first two and tabling the third. A member stated that voting on the second motion is critical because if funds are made available in the 2010-11 budget, the Senate should express an opinion regarding how to allocate them rather than leaving the decision to the administration. The chairs of UCAP, UCPB and UCORP agreed with this approach.

ACTION: Council unanimously approved a motion to separate recommendations one (that that UC budget proposals should include specific provisions for faculty merit increases and for the resumption of a Faculty Salaries Plan that restores competitive total remuneration) and two (a range adjustment of no less than 2% in the 2010-11 to compensate for faculty contributions to UCRP) from recommendation three (a range adjustment of 5%, applied to both base salaries and off-scale increments as soon as possible). Council unanimously endorsed recommendations one and two. Council unanimously approved the motion to table recommendation three.

X. New Business. *No new business was brought to Council.*

Meeting adjourned at 4:30 p.m.

Attest: Daniel Simmons, Academic Council Chair

Minutes prepared by Clare Sheridan, Senior Policy Analyst