

UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW) 2009-10 ANNUAL REPORT

TO THE ASSEMBLY OF THE ACADEMIC SENATE:

Under [Senate Bylaw 175](#), the University Committee on Faculty Welfare (UCFW) considers and reports on matters concerning the economic welfare of the faculty, including salaries, benefits, insurance, retirement, housing, and conditions of employment. UCFW held ten meetings and one teleconference during the 2009-10 academic year, and the major actions and discussions of ongoing issues are highlighted in this report.

UCFW has two key subcommittees with memberships independent of UCFW and with particular expertise in: (1) the University's Retirement System (UCRS) including its policies and its investments (the Task Force on Investment and Retirement, TFIR); and (2) the University's health plans for employees and retirees (the Health Care Task Force, HCTF). These committees monitor developments and carry out detailed analyses of questions and issues in their respective areas and report back to the parent committee, UCFW, for further action. UCFW is indebted to the extraordinary commitment and skills of our two chairs, Robert Anderson (TFIR) and Robert May (HCTF).

It is important to recognize that although this is the report of UCFW, the work done by the two subcommittees forms the basis of much of what is reported here. These subcommittees spend a great deal of time in consultation with systemwide Human Resources & Benefits (HR&B). Many of these consultants also regularly attend UCFW meetings and lend their expertise to our discussions. We are indebted to these consultants, and they are individually acknowledged at the end of this Report.

Post-Employment Benefits: The 2009-10 academic year was dominated by an investigation into redesigning post-employment benefits (PEBs) in order to lower costs and enhance their long-term fiscal stability. The investigation included both the University's annuity program and its retiree health provisions, and the committee consulted regularly with Provost Lawrence Pitts, Executive Vice President for Business Operations Nathan Brostrom, CFO Peter Taylor, and Vice President for Human Resources and Benefits Dwaine Duckett. The work of UCFW's two task forces proved invaluable both to UCFW and to the wider Senate community throughout the year. TFIR, in particular, showed leadership in presenting viable alternatives in plan design and funding mechanisms. For example, TFIR first posited the use of Pension Obligation Bonds to lower UCRP's unfunded liability, and ensuing discussion led to the administration to propose STIP borrowing for the same function, but with the added benefit of still lower interest.

The ethos of UCFW infused the PEB process through many of the Senate representatives to the PEB task force working groups: UCFW Chair White, immediate past chair Helen Henry, previous past chair James Chalfant, TFIR Chair Anderson, and HCTF Chair May all participated actively and were lead authors of the Dissenting

Statement. That Statement argued in favor of maintaining the current practice of offering an annuity whose rates are not determined in consideration with Social Security (and which was embraced in concept by President Yudof in his final recommendations).

Commission on the Future: UCFW followed the work of the UC Commission on the Future with great interest, and opined on its recommendations. UCFW was of the opinion that the recommendations did not reach far enough nor did they challenge the assumptions of the current operating philosophies strongly enough; UCFW saw no guiding strategy emerge from the Commission on how to rank-order equally compelling priorities in an era of zero-sum funding. The committee looks hopefully to the product of the Academic Council Special Committee on a Plan for the University of California being chaired by immediate past Council Chair Henry Powell.

Budget, Budget Advocacy, and Budget Strategy: UCFW received regular updates from Budget Vice President Patrick Lenz. UCFW was gladdened to learn UC was successful in removing rider language from an education bill stating that the legislature had no intent or obligation to contribute to UCRP. While the amount specified for UCRP contributions still remains low, this is an important step in restoring robust state support for the University as a whole.

UCFW also lauded the work of her sister committee, the University Committee on Planning and Budget (UCPB) for its “Choices Report”, which helped put the competing priorities of the University in perspective. While UCFW remains committed to the principle of competitive total remuneration as the decision-rule for most budget decisions, putting the cost of those convictions in comparative perspective is helpful for all. UCFW further thanks UCPB for its close cooperation in the development and analysis of PEB financing options and for their year-long support of UCFW positions on this crucial topic.

Compliance Concerns and Risk Abatement Efforts: UCFW has long been concerned with the increasing onus of compliance and training programs. The committee welcomed Senior Vice President Sheryl Vacca, Office of Ethics, Compliance, and Audit Services, and her message that compliance should be user-friendly. UCFW anticipates the results of the systemwide compliance audit and the streamlining and efficiency improvements expected to result. UCFW was also interested to learn that risk prevention efforts are being reviewed, again with the goal of reducing interference and confusion. UCFW recommended, and the Council endorsed, the creation of a joint task force to help see these initiatives to completion.

“Family Friendly” Policies:

Fee Waivers: UCFW explored again the viability of offering fee waivers to dependents of University employees, and the committee was joined by the Staff Advisor-Designate to the Regents Juliann Martinez and Chair of the Council of University of California Staff Assemblies (CUCSA) Lin King. UCFW continues to recognize the value of fee waivers, but still could not recommend funding them over other

considerations; nonetheless, UCFW will continue to monitor this issue and will support viable options.

Child Care Facilities: UCFW heard that two campuses significantly scaled back their local child care facilities. UCFW opposed these cuts, noting concerns of younger faculty, graduate students, and other economically disadvantaged members of the University community. The Council declined to lend its support in opposition of these measures, citing the need for local autonomy.

The Berkeley campus, however, began a pilot program on back-up child care, and UCFW looks forward to hearing the outcome.

Human Resources and Benefits Communications: UCFW was instrumental in clarifying communications regarding imputed income and benefits contract language. The political reversals of fortune surrounding same-sex marriage in the state left many uncertain as to their status regarding taxable income, such as whether dependent insurance premium payments were available on a pre-tax basis. UCFW helped draft more effective communication on the topic, such that more precise and sensitive language could be used.

Similarly, the change in placement of the University's standard health and welfare insurance indemnification clause caused concern to many who inferred that UC might opt-out of its agreements on a whim. Consultation indicated that the content of the language had not changed from previous years, and that the intent of the language is to allow University flexibility should an insurer renege, not that UC was reserving the right to cancel policies or policy subsidies.

UCFW also cautioned HR&B against moving forward with revisions to compensation policies for certain senior managers out of concern that the political environment would prove toxic to efforts to streamline the awarding of bonuses and incentives, however standard such practices might be in general industry. The policies were deferred one cycle and subsequently implemented.

Cash Compensation Issues:

Salary Scales: UCFW, together with the University Committee on Academic Personnel (UCAP) and UCPB, jointly recommended the development of an updated plan to restore the faculty salary scales to a competitive foundation. This followed from the abandonment of the previous 4-year plan, which was set aside due to budgetary considerations. The current call asks for range adjustments as well as increases to off-set reinstitution of contributions to UCRP, in addition to restating support for the principles of the salary scales and their restoration as soon as fiscally possible.

Health Sciences Compensation Plan (HSCP): UCFW members with appointments at the medical centers continued to work closely with the Office of Academic Personnel and Vice Provost Susan Carlson in drafting new regulations for the HSCP. The working group achieved consensus on the draft, but full review will not occur until the fall. UCFW will continue to monitor this situation and participate as much as possible.

Alternate Compensation Plans: At the behest of the provost and in response to some at the campuses, the Office of Academic Personnel has also been charged to

investigate compensation plans similar to HSCP for other disciplines, such as business, engineering, and the biological sciences. UCFW remains to be convinced of the merits of the proposals, but has participated in planning meetings nonetheless. The project is in its infancy still, and UCFW will continue to monitor developments.

Additionally, UCFW met with Senior Vice President John Stobo from the Office of Health Sciences and Services, and the committee consulted with UCPB Chair Peter Krapp, UCAP Chair Allison Butler, and immediate past chairs and TFIR members Helen Henry and James Chalfant.

Finally, in addition to submitting opinions and recommendations on the topics above, UCFW opined on matters relating to changes in the health and welfare insurance offerings, the status of the Mortgage Origination Program funding pool, and the impact of the furlough program on ladder rank faculty.

Acknowledgements: As is clear from the above Report, and even a casual reading of the minutes of our meetings, UCFW simply could not do its work without the highly collegial relationships that we enjoy with our colleagues in the Office of the President. Those whose fruitful collaboration we gratefully acknowledge include: from Human Resources & Benefits, Randy Scott, Mark Esteban, Michael Baptista, Gary Schlimgen, Dennis Larsen, Joe Lewis, Ellie Skarakis, and Dwaine Duckett; from Academic Personnel, Janet Lockwood, Pat Price, and Susan Carlson; from the Budget Office, Patrick Lenz and Debbie Obley; from the Office of Loan Programs Ruth Assily and Dan Sampson; from the Treasurer's Office, CIO Marie Berggren; from Academic Affairs, Provost Lawrence Pitts; and representatives of our external consultants from Mercer, Deloitte, and Segal. Finally, we are particularly grateful for the involvement, support and guidance from the Senate leadership, Chair Henry Powell and Vice Chair Daniel Simmons.

Respectfully yours,

UCFW 2009-10

Shane White, Chair
Joel Dimsdale, Vice Chair
Yale Braunstein, Berkeley
Lisa Tell, Davis
Saul Schaefer, Davis Alternate
William Parker, Irvine
Mitchell Wong, Los Angeles
Sean Malloy, Merced
J. Daniel Hare, Riverside
Farrokh Najmabadi, San Diego

Jean Ann Seago, San Francisco
Kostas Goulas, Santa Barbara
Douglas Morgan, Santa Barbara
Alternate
Suresh Lodha, Santa Cruz
Robert Anderson, TFIR Chair
Robert May, HCTF Chair
Charles Hess, CUCEA Chair
Kenneth Feer, Analyst