

**UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW)
2013-14 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 nine in-person meetings and one teleconference during the 2013-14 academic year, and the major actions and discussions of ongoing issues are highlighted in this report.

UCFW has two key task forces with memberships independent of UCFW and with particular expertise in: (1) the University of California 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 task forces monitor developments and carry out detailed analyses of questions and issues in their respective areas and report back to UCFW for further action. UCFW is indebted to the extraordinary commitment and skills of our task force leadership, Jim Chalfant (TFIR) and Bill Parker (HCTF). These two task forces spend a great deal of time in consultation with systemwide Human Resources (HR). Many of these consultants, along with others from Academic Personnel and the Office of the Budget 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:

In December 2010, the Regents approved a new tier for UCRP, and UCFW and TFIR have closely monitored the development of its planning documents and its implementation. UCFW discussed the algorithm used for "grandfathering" employees in the 1974 Tier, and as a result, an additional 700 employees were included at that time. This spring, President Napolitano announced further changes to the "grandfathering" practice, making the date of hire determinative for retiree health eligibility, rather than the "5+50" equation wherein years of service and employee age must total 50 as of June 30, 2013, for entry into the 1974 tier provisions. A total of 62000 employees had to complete the calculation, and prior to the May 2014 announcement, 52% of them were ineligible for the 1974 tier benefits.

TFIR lauded the simpler retiree health eligibility calculation, as well as the administration's proposal and the Regents' decision to authorize additional borrowing to fund UCRP. Previously, \$2B has been lent to UCRP with positive impacts on the plan's funded status. This year, TFIR advocated for additional borrowing. The decision to borrow \$700M to help the University contribute modified ARC for 2014-15 was less than TFIR has requested to be borrowed, and TFIR will continue to call for additional borrowing. TFIR based its decision on an analysis of different scenarios generated by UC's actuary, Segal, and agreed to by Human Resources. The projections indicate that although UC will contribute more and the plan's funding ratio will improve, the plan's

unfunded liability will continue to grow since both the numerator and denominator in the ratio will grow, but at different rates. To eliminate fully the unfunded liability, additional employer contributions are still needed.

The HCTF monitored changes to retiree health benefits, especially for retirees out-of-state. In-state retirees are still eligible for UC sponsored health insurance, but out-of-state retirees must now use the exchanges established by the Affordable Care Act. To facilitate their entry into that market, out-of-state retirees were given a flat sum to spend as they saw fit given their local and personal circumstances. Many are concerned that a similar practice will be foisted upon in-state retirees, but the administration has repeated that it has no intention to migrate in-state retirees to exchanges anytime in the near future.

UCFW also reported to HR that their decision to centralize retirement counseling services at UCOP under the Retirement Administration Service Center (RASC) was not being well received at the campuses. HR views retirement counseling as facilitating Medicare enrollment and the like, while the Senate views retirement counseling as a much more individualized series of events to ease faculty into a new lifestyle. Emeriti groups at the campuses receive widely differing funds, access, and support, yet emeriti often remain contributing members of the campus community by mentoring students and junior faculty, continuing research, and serving on Senate committees. UCFW will continue to engage on this topic.

HEALTH AND WELFARE BENEFITS:

Following the work of the Health Care Benefits Working Group (HCBWG) in 2011-12, the administration decided to undertake a complete rebid of University health and welfare coverage. HCTF participated closely in the process, participating in interviews, and offering suggestions regarding coverage, access, and cost. A significant change in UC's offerings will include a new self-insured option: UC Care. UC Care was designed by UC's Office of Risk Services, a unit within the Chief Financial Officer division, in conjunction with the office of Health Sciences and Services. HR interacts with UC Care as it would with any other insurance vendor.

UCFW and HCTF reported several problems with UC Care during its roll-out and first year of operation. Open Enrollment communications were compromised due to changes to the provider lists after materials had been made; some changes even occurred after the Open Enrollment period began, and as a result, UC provided a "grace period" after its Open Enrollment period through March 31 for employees who realized they had made a decision on poor or incomplete information to change their medical plan. Operations of the plan have not been smooth, either: Reports of reimbursement, referral, and out-of-pocket maximum confusion were widespread, not least because Blue Shield, the plan's third party administrator, did not have adequate training for its staff. Training at the UC medical centers on the plan has also proved wanting. Employees were also concerned about the quality of providers in UC Care's least expensive UC Select tier, noting that in some geographic areas, there were no hospitals or physician groups that participated. In Santa Barbara, the decision was made (after Open Enrollment had commenced), to accept their local provider despite the provider not agreeing to the UC Care reimbursement rate; the system paid an extra \$1M to include the local provider, and is expected to do so for 2015, too. No changes to the UC Select tier provider roster are

expected. UC Care leaders in the Office of Risk Services are working to improve communications and training in cooperation with HCTF.

Further, UCFW is concerned with the operations of UC Care behind the scenes. The program did not attract as many younger and healthier employees as expected, so the collected premiums may not be adequate to cover payouts to providers. Data on the plan's financial health were not ready at the time this report was written, but it is expected to run an operational debt due to lags in the billing process; plan sponsors have assured UCFW that the plan is still actuarially sound. Plan design features, though, such as unlimited self-referral among a high consumer group, could force the plan to raise its premiums – which could drive people out of the plan, putting it at still further financial risk. HCTF will continue to monitor the program closely.

UCFW also lobbied Human Resources to undertake a satisfaction survey of the University's health and welfare benefits. HR worked with HCTF to develop a survey for major medical, and HR deployed it in the early summer. The response rate was 26%, but the findings were not available at the time of writing. HCTF will evaluate the results closely when they are ready.

Last year, a new method of assessing benefits costs to all employer funding sources was explored, the "Composite Benefits Rate". With the goal of simplifying the process, it was proposed to create a limited number of categories for benefits cost assessment, rather than identifying a specific rate for each individual employee. Senate members identified a cross-subsidy that significantly disadvantaged summer salary recipients by assessing UCRP costs even though that salary is not UCRP-eligible. UCOP initially told the Senate that the federal government would not allow individual employees multiple rate codes, but UCB and UCD successfully negotiated with the federal government for exactly that. UCOP then told the Senate that further modeling to determine the least disruptive composite groups was not possible due to cost considerations and problem complexity, but the Senate, under the leadership of Council Chair Bill Jacob, was able to model alternatives once adequate data were provided. Chair Jacob was also able to coordinate with three chancellors to strengthen the Senate's position. As a result, President Napolitano adopted the Senate's recommendation, but more work remains to find the optimum composites for Health Sciences Compensation Plan members.

CASH COMPENSATION ISSUES:

Salary Equity Plans: The University Committee on Affirmative Action and Diversity continued its work to illustrate and address the salary equity gaps at UC. UCFW reviewed the campus responses to the plans and found room for improvement. The campuses continue to develop remediation plans, and UCFW will monitor action in this area.

Total Remuneration: UCFW argued for an update to the 2009 Total Remuneration Study, noting that UCRP contributions have increased from 0% to 8% since the 2009 study was concluded, that cash compensation increases have not kept pace with competitors, and that decreases to retiree health premiums have all eroded UC's competitiveness, but to an unknown degree. Due to cost considerations, it was determined that a full study was unworkable, so a study focusing on general campus ladder rank faculty only was commissioned. Current and past UCFW members joined

the administration in working with Mercer Consulting to develop and conduct the study as similarly as possible to the 2009 study. The study concluded that UC general campus LRF total remuneration now lags the Comparison 8 by 10% in aggregate, reflecting a 12% lag in cash compensation and a 7% lag in health and welfare benefits. Junior faculty see the lags more acutely than senior faculty due to the long apprenticeship required to become tenured and the career incentive structure of UCRP. As a result, recruitment and retention efforts may become even more difficult if meaningful redress is not implemented. The one-time cost to “fix” the faculty salary scales is estimated at \$140M, but no funds have been identified, and no administration champion has yet come forward. Discussions will continue into the fall.

DIVESTMENT

Student activists have petitioned the Regents to divest from fossil fuels, and they have submitted the Carbon Tracker 200 as companies they target. UCFW and TFIR are skeptical that divestment would achieve the student activists’ goals, regardless of the fiscal impact of divestment to the University’s portfolio value. UCFW is also concerned that should UC accede to these demands, then the University will find itself on a slippery slope to calls for additional divestment from other industries – regardless of the fiscal impact on the University’s portfolio. The Regents have convened a task force chaired by new Chief Investment Officer Jagdeep Bachher to investigate and report to the Board in the fall; Council Vice Chair Mary Gilly is the Senate’s representative to the task force. At the time of writing, the Senate has not been asked for, nor has it developed, a consensus statement on fossil fuel divestment. UCFW and CIO Bachher think a successful outcome would be a responsible investment policy that allows UC to evaluate this and subsequent divestment calls in a transparent and fiscally viable manner.

OTHER POLICY ISSUES AND SYSTEMWIDE REVIEWS:

Academic Personnel Manual Revisions: Several sections of the APM were up for review, and some new sections were proposed. UCFW opined on or discussed each of the following:

- 035 (Affirmative Action and Nondiscrimination in Employment) Appendices A-1 and A-2 / University Policy on Sexual Harassment
- 133 (Limitation on Total Period of Service with Certain Academic Titles (“Stop the Clock”))
- 190 (Selected Presidential Policies) A-2 / Whistleblower Protections
- 510 (Intercampus Transfers)
- 600 series (Salary Administration)
- 670, 671, 025 (Health Sciences Compensation Plan Conflict of Commitment)
- For management review only:
 - 080 (Medical Separation)
 - 330 (Specialist Series)

Senate Membership: Discussion continues at the medical centers and in other arenas regarding granting the rights and duties of Senate membership to new subpopulations. The San Diego division proposed an amendment to Senate By-Law 55 (Departmental Voting Rights) that would allow non-Senate members to submit in parallel

advisory votes on hiring and promotion cases. Two rounds of systemwide review did not lead to adoption of the proposal, and UCR&J opined that no bylaws needed to be changed to allow the practice. Nonetheless, UCFW expects questions around Senate membership to arise again next year, if not from the health sciences, then from the Cooperative Extension Specialists who work with the Division of Agriculture and Natural Resources.

Additional Items:

UCFW was pleased to receive updates on the following items, and will continue to monitor developments in these areas:

- Changes to Mortgage Origination Program
- UCSF's acquisition of Children's Hospital of Oakland
- Campus Climate Survey
- Professional degree supplemental tuition
- Self-supporting graduate and professional degree programs

CORRESPONDENCE:

Beyond submitting opinions and recommendations on the topics above, UCFW opined on the following matters of systemwide import:

- Copyright and Fair Use Policy amendments
- Extension of the Supplement to Military Pay Policy

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Academic Affairs: Provost Aimée Dorr;

Academic Personnel: Vice Provost Susan Carlson and Director Janet Lockwood;

Budget: Vice President Patrick Lenz;

Finance: Executive Vice President Peter Taylor, Executive Director of Self-funded Health Plans Lori Taylor, Associate Vice President for Capital Markets Sandra Kim, and Director of Loan Programs Ruth Assily;

Health Sciences and Services: Senior Vice President Jack Stobo;

Human Resources: Vice President Dwaine Duckett, Executive Director of Pension and Retirement Programs Gary Schlimgen, Executive Director of Benefits Programs and Strategy Michael Baptista, Director of Benefits Programs Mark Esteban, and Executive Director for Compensation Programs and Strategy Dennis Larsen;

Office of the Chief Investment Officer: CIO Jagdeep Bachher, Associate CIO Mel Stanton, and Director of Client Relations Bill Ryan;

External consultants from Mercer, Deloitte, and Segal.

We are particularly grateful for the involvement, support and guidance from the Senate leadership, Chair Bill Jacob and Vice Chair Mary Gilly, as well as the advice and perspective provided by Senate Executive Director Martha Winnacker. Finally, the committee is particularly indebted to Principal Analyst Ken Feer for his thorough attention and timely management of the agendas and consultants of UCFW, HCTF, and TFIR, through a particularly challenging year.

Respectfully yours, UCFW 2013-14

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