

## UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW) ANNUAL REPORT 2007-2008

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 has two key subcommittees with independent memberships that are charged with monitoring developments and reporting to the parent committee – the Task Force on Investment and Retirement (TFIR) and the Health Care Task Force (HCTF). UCFW held ten meetings during the 2007-2008 academic year. Highlights of the committee's activities and accomplishments are noted in this report.

It is important to emphasize that, although this is the report of the parent committee, the work done by the members of TFIR and the HCTF was, as in previous years, absolutely critical to UCFW. These two subcommittees spent countless hours during 2007-08 working with HR&B consultants on all aspects of their respective areas of expertise, which include very highly technical topics. Many of the issues discussed below were first analyzed in greater detail by these subcommittees, and the reports to UCFW from TFIR Chair Anderson and HCTF Chair Pitts, respectively were invariably instrumental in determining UCFW's views. UCFW acknowledges and appreciates the professional expertise, effort, and thoroughness contributed by the chairs and members of both subcommittees.

**UC Total Remuneration.** The competitiveness of total remuneration received by UC faculty remains a major focus of UCFW's attention, and it remains an area of critical concern. It is still common to read in the press or hear in statements from UC administrators that, while UC faculty salaries lag those at comparison institutions, our benefits make up for the gap. UCFW has not agreed with that conclusion in the past, it does not endorse it at present, and the committee continues to believe it to be misleading and harmful to UC's excellence. The failure to keep up with other institutions in faculty total remuneration puts UC campuses at a significant disadvantage in both recruiting and retaining outstanding scholars.

The committee's 2006-07 annual report described substantial effort in working with representatives of Mercer Human Resources Consulting, as well as our consultants from UCOP, to understand comparisons of UC's competitiveness with institutions in the Comparison Eight group. UCFW developed a number of recommendations in 2006-07 concerning the methodology used to evaluate total remuneration. These recommendations were the subject of further discussions at meetings in 2007-08, and the committee communicated its views to UCOP. It is anticipated that UCFW's recommendations will be incorporated into new studies of total remuneration and the competitiveness of compensation of UC employee groups to be undertaken in 2008-09.

Last year's report also described UCFW's recommendation---acted upon favorably by the Academic Council in June 2007---to establish a Senate Task Force on Faculty Compensation Determinations & Comparisons. The purpose of this task force was to inform analyses of salary comparisons, studies of total remuneration, and measures of UC's competitiveness, drawing upon expertise from UCFW, UCPB, and UCAP, and to continue to refine the Senate's own recommendations. This was deemed desirable both as a means of evaluating any studies done by outside consultants and as a way to provide Senate input into any future studies by the California Post-Secondary Education Commission (CPEC).

In 2007-08, concerns about total remuneration centered mainly on salaries. While salaries remain a critical concern for UCFW and for the Senate, the methodological issues for salary comparisons are relatively minor, compared with the valuation of benefits. For instance, it is

difficult to compare an employee's valuation of a defined-benefit pension plan, such as UCRP, with the more common defined-contribution plans that are found at most other universities. Salaries can more easily be compared on a dollar-for-dollar basis (though there remain important matters concerning comparability and quality of data). As a result, the committee chair and the Senate's chair and vice-chair agreed that the Task Force on Faculty Compensation Determinations & Comparisons should wait to begin its work until the onset of new studies of total remuneration.

**Faculty Salaries.** At several meetings during 2007-08, UCFW received reports from Vice Provost Jewell and others concerning the progress made under Year 1 of the four-year Faculty Salaries Plan. Former UCFW Chair French had served in 2006-07 as a member of the Salary Scales Work Group, chaired by Provost Hume, and Chair Chalfant served on the Work Group in 2007-08, its second year of activity (with Vice Provost Jewell taking over for Provost Hume). The Work Group continued to examine issues of implementation, funding, and interpretation of data. The Work Group's report is available at ( <http://www.ucop.edu/acadadv/facultysalary.html> ), but a fair summary is that, while some progress has been made in closing the competitiveness gap for average salaries, and a smaller percentage of faculty currently receive off-scale salaries due to the raising of UC's salary scales, there is much more still to be done. The vast majority of newly hired faculty (those faculty who started at UC in Fall 2007) receive off-scale salaries, due to the fact that UC's scales are so far below the market, and there remains a gap between average faculty salaries at UC and our comparison institutions, at all three ranks.

To demonstrate the substantial problem that remains, one can compare average salaries at the Comparison 8 with average UC salaries. Even after implementation of Year 1 of the Plan raised base salaries for each rank and step, the base salary for Professor IX remained below the *average* salary for all full professors at the comparison institutions. Comparable statements can be made for the Assistant and Associate ranks. Closing the gap in average salaries, therefore, while a priority for the Senate, will not be sufficient to restore the integrity of UC's salary scales---it will remain necessary to continue to pay substantial off-scale to recruit and retain faculty. As a result, UCFW advocated for a second year of "market adjustments"---increases in the base salary at each step, in contrast to a "range adjustment" that would simply raise all salaries by some percentage, comparable to a cost-of-living increase. The committee felt that market adjustments to raise the scales should be the top priority for Year 2 of the Plan, and the top budget priority for the University. This recommendation was endorsed by the Academic Council and communicated both to the administration and to the Salary Scales Work Group. As this report is being written, no decisions for Year 2 have been announced.

In Fall 2007, it was clear to UCFW that progress on faculty salaries would be constrained by UC's overall budget. The committee recommended strongly but unsuccessfully to the Academic Council that the Senate advocate for a more aggressive request. During the year, the budget situation worsened, to the point where there now is substantial doubt about the survival of the four-year Plan. Nonetheless, UCFW continued to advocate for faculty salaries to be the top budget priority for the coming year. This remains the policy of the Academic Senate, having been endorsed by the Academic Council.

UCFW conveyed these views in its monthly meetings with UCOP consultants. Along with VP Jewell, UCFW met nearly every month with UCOP consultants from the budget office, including AVP Obley, VP Lenz, and EVP Lapp. The committee took these opportunities to reinforce the Senate's policy, adopted in Fall 2006 (online [here](#)), that faculty salaries must be increased to be more competitive and also to address anticipated increases in benefits costs. The need for funding sufficient to achieve competitive total remuneration remains a critical concern for 2008-09 and beyond.

**UCRP Contributions and Total Remuneration.** In 2007-08, UCFW continued to emphasize that the resumption of contributions to UCRP would represent a substantial decrease in total remuneration. Periodic statements from the administration, indicating that the resumption would begin with a redirection to UCRP of the current mandatory contribution to the University's Defined Contribution (DC) plan, have emphasized that a redirect would represent no decrease in take-home pay to employees. While correct as an accounting statement, this is highly misleading as a statement about employee welfare---the contributions to the DC plan represent employee-controlled balances in the Retirement Savings Program that can be invested at the discretion of the employee and which supplement the UCRP pension after retirement. To achieve the same amounts of savings for retirement income, employees would, in fact, need to decrease their take-home pay and replace the redirected contributions with their own, voluntary contributions.

UCFW is strongly supportive of maintaining the health of the retirement plan, so the committee does not oppose the resumption of contributions. However, as first recommended in Fall 2006 and adopted as [Senate policy](#), UCFW continues to emphasize that salary increases should be sufficient to offset increases in benefits costs (comprising any increases in employee contributions to UCRP and any increases in the employee's cost for health insurance) and to restore UC's competitiveness. A minimal condition that must be met, therefore, for the committee to support the resumption of contributions, is that there be no net reduction in UC competitiveness---salaries must rise to at least offset increases in benefits costs.

**UCRP Funding Policy.** At their September, 2008, meeting, The Regents approved the funding policy recommended for UCRP by UCOP/HR&B. As has been widely reported in the press, there was no determination of the level of contributions to UCRP. The action taken adopts a funding policy that will determine a recommended level of contributions, including the method for amortizing either a surplus or a deficit. Both TFIR and UCFW heard presentations from a representative of the actuarial consultant to The Regents, The Segal Company, and recommended to the Academic Council that the Senate support the proposed funding policy. The resulting communication from Senate Chair Brown to President Yudof emphasized that the Senate's support was conditional on the principle noted above, that there be no net reduction in the competitiveness of UC total remuneration from the resumption of contributions to UCRP. Implicit in this policy is the principle that take-home pay is not a good measure of employee total remuneration---if there is a reduction in benefits (or an increase in the employee cost of a particular benefit) but no change in cash compensation, total remuneration has declined and the employee is worse off.

**Continuing Concerns Over UCRP Governance.** Discussions of funding policy and the resumption of contributions occur against the background of enhanced scrutiny of UCRP by the public, the state government, and UC's employee labor unions. As discussed in last year's annual report, UCFW initiated a comprehensive statement on UCRP, which was adopted by the Academic Council (online [here](#)). This statement was motivated by press accounts alleging mismanagement and conflict of interest, and particularly, by the state Senate resolution introduced by Senator Yee (SCR 52) calling on The Regents to offer employees shared governance. Following UCFW's recommendation, the Academic Senate opposed any changes that would replace The Regents as the fiduciaries for the plan. At the same time, the Senate called on The Regents to be responsive to SCR 52 by advocating instead for changing the Higher Education Employee Relations Act to allow the current UCRS Advisory Board to play a more significant role in making recommendations concerning UCRP policy. UCFW received several updates on possible responses from The Regents to SCR 52 during 2007-08.

It is unfortunate that no progress was made in finding common ground following SCR 52. Had the Senate's recommendation been followed, it might have been possible to avoid the current bill, Assembly Constitutional Amendment 5 (ACA 5). ACA 5 was introduced by Assembly

Member Portantino, and co-authored with Senator Yee. It would place before California voters the creation of a new governing board for UCRP and all retirement benefits, including retiree health insurance. At the time this report is being prepared, ACA 5 has not received the required two-thirds majorities in both houses of the state Legislature, but instead will be the subject of a signature drive, as supporters attempt to place it directly on the ballot for California voters. UCFW and TFIR discussed ACA 5 at several meetings, and recommended to the Academic Council that the Senate oppose this measure, a stance that has now become [Senate policy](#).

In addition, UCFW Chair Chalfant read a short statement before the Assembly's Higher Education Committee reiterating past Senate policy and urging that the Assembly spend its efforts providing UC with an adequate budget. These issues are closely linked: it seems clear that a significant factor behind both SCR 52 and ACA 5 is the concerns over the resumption of contributions. UC employees are naturally concerned about the impact of restarting contributions while wages are stagnant. While the Senate has not taken a formal position on total remuneration for other employee groups, UCFW will continue to monitor the competitiveness of total remuneration for all UC employees. It seems likely that governance issues concerning UCRP will remain difficult to settle, as long as there is no progress on increasing salaries *for all employee groups* to compensate for rising benefits costs.

UCFW raised a number of concerns over ACA 5. Chief among these is that it creates a severe problem of conflict of interest. By putting employees who are members of the plan in charge of UCRP policy, ACA 5 is a direct threat to the health of the plan. Members could vote to increase benefits substantially, providing personal benefit, with no clear way to compel either UC or the state to pay for the cost of those increases in benefits. Moreover, it is hard to see why retirees would be made better off if they were no longer part of the entire UC community, for negotiating with health plans and other vendors.

ACA 5 also represents a substantial erosion in the University's autonomy, and threatens to politicize UC's benefits. It seems unlikely that the governing board envisioned by ACA 5 would have UC's institutional needs as its prime focus. UCFW, along with TFIR and the UCRS Advisory Board, will continue to monitor all aspects of the performance of UCRP and its governance, and to advocate for changes that achieve the goals for employee welfare that motivate ACA 5.

**Outsourcing Benefits Administration: UCRP.** UCFW members first learned of the proposal to issue an RFP seeking external vendors to take over the administration of UCRP when TFIR was informed in December 2007. Since that time, both TFIR and UCFW have closely monitored the process. UCFW recommended changes to the timeline envisioned for seeking responses to the RFP and for evaluating external vendors, to allow the Senate to convey its views before a decision was made, as is appropriate given its shared-governance role. UCFW reviewed a draft of the proposed RFP, and a subcommittee of UCFW members attended a bidders' conference, a separate briefing by HR&B and Deloitte Consulting (who are advising UC on the RFP process), and vendor presentations. Incoming Chair Henry and TFIR Chair Anderson also participated in the site visits to provide further examinations of vendor capabilities. Throughout the process, UCFW held to the view that, as it had been described, the RFP process was to gather information, and that it may be that UC would elect not to select an outside vendor from those who responded.

It is worth emphasizing that view, because the proposal to outsource UCRP administration seems to be an answer in search of a question. Anecdotal evidence suggests that members' satisfaction with the customer service functions, both at individual campuses and at UCOP, is very high. While the administration of UCRP relies on a legacy IT infrastructure, it does not seem necessary to outsource customer service, in order to obtain better technology. This fact was made evident by the RFP process and by the vendor responses---it is not uncommon for vendors to partner with institutions such as UC in a "co-sourced model", in which we would use their technology, in-house, to continue to perform the customer service function. It would permit UC to



take advantage of existing technology for IT, rather than reinventing the same capabilities on our own.

Based on UCFW's analysis and recommendations, the Academic Council conveyed to EVP Lapp [a set of principles](#) that should govern any outsourcing decision. At its September 2008 meeting, and based on those principles, the Academic Council adopted [the recommendation](#) from UCFW to advocate against all of the currently proposed models for outsourcing, favoring a new RFP that would consider the co-sourcing model and retain customer service. As this report is written, no decisions have been made by UCOP.

Throughout the RFP process, UCFW has appreciated the access committee members have had to the process and, simultaneously, felt great concern about the nature of the eventual decision process. It seems very clear that there is neither an efficiency/quality gain available from outsourcing, nor cost savings; as noted above, outsourcing remains a solution to a non-existent problem. Rather, we are concerned that outsourcing will be justified because it is part of the process of downsizing and restructuring/refocusing UCOP. That process has at times seemed to emphasize appearances over substantive change. A decision to outsource ignores the "service center" option, envisioned in the "Roles Report" that examined the functions of the President's Office. It seems to us that UCRP is already administered in essentially the service-center manner, and appropriately so; it provides services that would be duplicative and unnecessarily expensive, were they to be undertaken on each campus.

Moreover, outsourcing to achieve an outcome for appearances' sake concerning downsizing UCOP ignores the substantial risks that come with outsourcing. Even if the external vendor offers comparable service and cost at present, it seems likely that the cost will rise over time. There will be additional costs for customization to offer capabilities desired by UC and there is a significant risk that UC will have less bargaining power, once in-house expertise is lost. The only choice at the time of contract renewal would be to remain with the vendor or to seek another; bringing the function back in-house would be very difficult and prohibitively expensive, once UC has disinvested.

UCFW anticipates considerable anxiety related to turning confidential personal information about employees over to a third party; concerns over the instability that current exists in the corporate sector and which might lead to a vendor being taken over by another firm; and fallout from adverse publicity about UCRP management at exactly the wrong time. In the event that an outsourcing model is pursued, there would surely be allegations that UC has overpaid or that there was some conflict of interest with the external vendor, and these could provide the setting against which ACA 5 or a successor is debated. The committee feels very strongly that, as more UCRP members become aware of the possibility of outsourcing plan administration, there will be substantial opposition.

The committee has consistently conveyed these broader concerns to Senate and UCOP leadership, while also closely examining the specific details of vendor and in-house capabilities.

**Retiree Reemployment Policy:** UCFW reviewed an earlier draft of the proposed policy governing the recall of staff and SMG (Senior Management Group) employees. This policy is now out for systemwide review, though it was already approved by the Regents at their September meeting. Both TFIR and UCFW were concerned that the proposed policy was too restrictive and might limit significantly the options for "phased" recall or retirement for faculty. Although the policy excludes faculty unless they are in the SMG group, one concern was that this policy would bring about changes in the policy covering faculty. More broadly, a number of instances were noted where the policy language was not clear, and where it still seems overly and needlessly restrictive.

**Buybacks of Service Credit.** Over several meetings, TFIR worked with HR&B and Segal on proposed changes to the current policy governing the purchase of service credit (“buybacks”) following leaves without pay. HR&B was very responsive to TFIR concerns over the cost aspect of the proposal. Under the previous policy, an employee with periods of leave without pay could buy back the UCRP service credit they had foregone. There was a three-year window in which to elect buybacks, and up to two years of service credit could be bought back, at the “normal cost” of the plan (roughly 16-17% of the employee’s salary). Payroll deductions could be used for this transaction.

This provision for buybacks allowed the purchase of less of the total service credit foregone, for employees who took longer leaves, than in many other plans. Moreover, there are concerns that the IRS would act to prevent buybacks using payroll deduction. Thus, the two aspects of the proposal that were largely without controversy were (i) to allow the buybacks to be funded from other sources, such as a defined-contribution plan in which the employee had balances that could be transferred to UCRP, and (ii) to increase the number of years that could be bought back, and the window for electing to do so. TFIR recommended in favor of these changes, which UCFW, and ultimately, the Academic Council, also supported.

The controversial aspect of the proposal comes from the possibility of adverse selection. Allowing for a longer period over which employees can elect to purchase additional service credits means that they may gather additional information, about either their health status---they may revise their personal, subjective assessment of the likelihood that they will live a long time after retiring---or their salary situation---they may know that there is a high likelihood that, in a year’s time, they will experience a large salary increase, for instance, by being appointed as dean. The former situation is handled by using an individual actuarial calculation for any service credit purchased beyond the current two year limit. The latter is handled by a recalculation (a “true-up”) of the cost of the buyback, in the event of a salary increase within one year after the election.

TFIR and UCFW anticipated concerns over whether these changes would represent significant benefits to a relatively small group of individuals---those with long leaves. In particular, HHMI/Ludwig fellows, who are in many ways equivalent to UC faculty, but who are paid by HHMI or Ludwig, and who are covered by a DC plan instead of receiving UCRP service credit, might want to purchase UCRP credits. Both TFIR and UCFW recognized that there would be concern over the size of the additional retirement benefit obtained through buybacks, but it is very important to keep in mind that these additional benefits are being purchased at a substantial cost to the individual, that the recommendation from both committees was that no University funding be used for buybacks, and that the issue is not whether they receive a large benefit, but whether it is fairly priced so as to not be unfair to other plan members. UCFW recommended in favor of the buybacks proposal on that basis, and the Academic Council concurred at its July meeting. Details of the policy are still being finalized.

**APM Revisions 710, 711, and 080.** Over a number of years, UCFW has considered the specification of sick-leave policies to be an important benefit to faculty. Although there has been an implicit benefit offered to Senate faculty, who do not accrue sick leave, the fact that it was not specified in the Academic Personnel Manual meant that any leaves granted would be as exceptions to policy, and UCFW felt that some faculty members might not know they could request leaves, or that they might decide not to request such leaves. APM 710 specifies the conditions under which such leaves can be granted by chancellors. APM 711 outlines UC’s responsibilities and the employee’s rights to reasonable accommodation, in the event of any disability. APM 080 outlines the process for medical separation, including the employee’s rights to review and to hearing by a Senate committee. It is anticipated that such a hearing would be with the relevant Privilege and Tenure committee, but UCFW and Senate leadership concurred in the view that it would not be

appropriate for the APM to specify how Senate processes are conducted, so APM 080 simply refers to The Regents' Standing Orders concerning such rights.

These policies have been through several drafts, and were formerly linked to a policy concerning "constructive resignation", in which the University could stop paying a faculty member who did not appear to have returned to duty, following a leave. That policy was found to be deeply flawed, and it would have been unlikely to reach agreement on the policies as a set of four revisions to the APM that could be introduced jointly. In late 2006-07, UCFW recommended to the Academic Council that revised versions of the first three policies be circulated for another systemwide review, without constructive resignation and with comprehensive responses to the comments from an earlier systemwide review. UCFW worked with Academic Advancement to address those earlier comments. The additional comments received called for thorough additional revisions, and the Academic Council asked UCFW to address a number of concerns. UCFW Chair Chalfant and Vice Chair Henry collaborated with Executive Director Slocum and Acting Director for Health Sciences Compensation Sykes in Academic Advancement to revise the policies and respond to the comments conveyed by Senate Chair Brown on behalf of the Academic Council. The Academic Council recommended in favor of adopting the revised policies, which became effective July 1, 2008.

The systemwide reviews raised a number of questions of definition or interpretation that seemed to require both additional explanation and ongoing monitoring of the policies' implementation. UCFW agreed to work with Academic Advancement in developing and evaluating "Frequently Asked Questions" web pages that will provide the clarifications needed.

**Housing Finance Options.** In spring 2007, UCFW approved UCOP-proposed modifications to the Mortgage Origination Program (MOP), which offers reduced interest rate mortgages to Senate members and others. At that time, former Senate Chair Oakley discussed concerns over proposed changes to the Supplemental Home Loan Program (SHLP) with UCFW. It was agreed that the proposed changes to the SHLP program would not be taken forward at that time, and instead, that the New Financial Programs Subcommittee of the UC Housing Task Force would be reconvened. UCFW nominated four Senate faculty members with expertise in real estate and housing finance to serve on this subcommittee.

UCFW met with Office of Loan Programs Director Assily to discuss six specific recommendations from the Subcommittee, and after reviewing the Subcommittee's report, UCFW met with Office of Loan Programs Senior Program Consultant Mathews to discuss the report. UCFW concurred with the Subcommittee's recommendations, and agreed that other policy reforms related to concerns over SMG compensation had largely addressed the concerns over the SHLP program. UCFW recommended that the Academic Council support the report's recommendations, which it did, and these are anticipated to be discussed by The Regents in the coming year.

**Issues Pertaining to Health Care.** In addition to other items mentioned in this report, the Health Care Task Force was actively involved in several projects this year, including the development of a joint faculty-HR&B research initiative, the roll-out and oversight of the [StayWell](#) health program, changes to health and welfare benefits options for the 2009 calendar year, and retiree health needs and contributions. In particular, the HCTF cooperated with HR&B in developing strategies to better advertise StayWell and encourage plan participation while allaying employee concerns over privacy. Additionally, the transition away from PacifiCare to HealthNet afforded HCTF additional opportunities to ensure that faculty needs were addressed.

Last year's experience with the sharing of confidential employee information with TALX, and the StayWell experience more recently, suggested to members of the HCTF that a broad statement on privacy would be useful for HR&B to develop and place on the "At Your Service"

web site. HR&B consultants reacted positively, and developed such a statement for HCTF members to review. This is an ongoing topic for discussion.

UCFW benefited from the detailed analysis by HCTF of the November 2007 Open Enrollment, including the effects of the transition from PacificCare to a single network HMO (HealthNet) and the introduction of CIGNA as a systemwide option. Both HCTF and UCFW engaged in several discussions with HR&B concerning the choices offered, and whether faculty were fully aware of the new options. Following these discussions, it became apparent that an additional mailing was needed to remedy an overlooked detail in the Open Enrollment materials. Members of HCTF reviewed the mailing, and appreciated the responsiveness shown by HR&B. Regarding PacificCare, HR&B undertook a large transition effort for employees formerly enrolled in the PacificCare plan, which was terminated as a plan option. Most employees elected Health Net, and during the transition period at the end of December/early January, differential co-pay rates resulted and formulary changes were not implemented as originally scheduled. Most of the problems have been resolved, and co-pay refunds are being distributed to effected employees. The HCTF continues to review such issues, and serves as a useful and effective conduit for information from the campuses to be communicated back to HR&B.

The HCTF continues to engage in ongoing discussions with medical-center directors and with HR&B consultants concerning a wide range of issues, notably the implications of accounting requirements related to retiree health insurance, and the rising cost of health care. The HCTF also has continued discussions with the Clinical Enterprise Workgroup, which has begun to identify potential initiatives to pursue in the future, which seek to possibly leverage the influence of the five medical centers together.

**Flexible Spending Accounts and COBRA Administration.** UCFW reviews a number of other benefits offerings, such as the flexible spending account (FSA) that permits employees to pay certain health-related costs with pre-tax dollars. HR&B issued an RFP for both the FSA and COBRA administration this past spring. The FSA RFP allows for comparison with the current vendor and emphasizes partnership, performance, and customer service. The COBRA RFP could include all or only selected services. While it was expected that the COBRA selection would be made in time for a January 2009 start date and that the FSA selection in time for a May 2009 start, the FSA/Dependent Care contract has been [awarded to CONEXIS](#). Both Vice Chair Henry and HCTF Chair Pitts participated in the site visits to the finalists. UCFW asked specifically about the possibility that transitioning to new vendors would be problematic. HR&B already has a good transition system in place. UCFW also learned that the parameters of the plans would remain the same, and that the focus of the RFP is only on service quality. UCFW will continue to monitor this process in 2008-09.

**Default Fund for Retirement Savings Program.** Previously, funds for those who had not specified an account for their DC plan contributions have been deposited into the UCRS Savings Fund, which has low volatility but carries a low yield; such accounts do not meet new Department of Labor regulations for default investment choices in retirement plans. While UC is not technically bound by these regulations, the UCRS Pathway accounts do meet the regulations for default fund choices. Thus it was proposed that as of October 1, 2008, current employees' new contributions and new employees' contributions will be defaulted into the age-appropriate Pathway fund, rather than the UCRS Savings Account, unless the employee either specifically elected the Savings Fund in the past or elects it in the future. The Office of General Counsel is considering whether also to migrate funds that were previously deposited by default into the Savings Fund.

**Social Security Opt-In.** From 1955-77, employees of public employers with public pensions were allowed to opt out of social security and Medicare contributions. Since then,



participation has been mandatory. UC's remaining non-coordinated employees must elect, as a group, to participate. The election process is expected to take up to two years due to the number of negotiations involved. Further, electees and the University would be required to pay retroactive Medicare taxes to a maximum of five years. Electees must also be active employees. Based on a May 2008 snapshot of non-coordinated employees, the total cost to the University could be as much as \$18M. Analysis is ongoing within HR&B, and communication with employees awaits the first step of informing the unions and performing a cost-benefit analysis. UCFW suggested that enrolling the non-coordinated employees in Medicare would save UC money in the long run, and that this has become an equity issue, as the rules have changed over time. UCFW will continue to monitor this issue in 2008-09.

**Task Force on Investment and Retirement (TFIR).** Besides the important work noted above, TFIR provided advice on many other questions, including how/when comparisons between UCRP and CALPers could be made most effectively, how the LANL/LLNL asset transfers could be handled most efficaciously, and whether a Roth 403(b) program would enhance the UC retirement portfolio of offerings. TFIR also provided expertise regarding the START program and retiree health accounting requirements.

TFIR worked tirelessly and conscientiously in representing the faculty perspective on the weighty and rapid-fire issues involving asset management and the issues underlying proposed changes as well as in providing UCFW with comprehensive and thoughtful analyses of proposed changes.

**Issues of Ongoing Concern:** UCFW continues to monitor and discuss other matters and issues concerning parking, child care availability (including pricing and options for back-up child-care), various proposals to reform SMG compensation, the Health Sciences Compensation Plan (APM 670), UC policy concerning cell phones and IRS requirements, and others. It was anticipated that the committee would take up APM 620, governing off-scale salaries, but the members concluded that any discussion of the appropriate revision should await fulfillment of the faculty salaries plan. UCFW received several updates on the UCOP restructuring process, specifically as it pertains to Academic Advancement and HR&B, and continues to advocate for preserving support for the work of the standing committees of the Academic Senate. In UCFW's case, that support is outstanding, and the committee has not supported proposals to reorganize the analytical capabilities at UCOP into an Institutional Research Unit.

The minutes of UCFW meetings, posted on the Academic Senate's web site, contain additional details and other items of interest.

UCFW would like to thank its consultants and guests for their perspectives, forthrightness, and trust; without each of you, we could not have fulfilled our charge. To our consultants: Judy Ackerhalt, Mike Baptista, Judy Boyette, Mark Esteban, Nicholas Jewell, Patrick Lenz, Janet Lockwood, Debbie Obley, Gary Schlimgen, Randy Scott, and Jill Slocum. And to our frequent guests: Paul Angelo, Dan Greenstein, Mona Litrownik, Tim O'Beirne, Chris Simon, and Gregory Sykes.

UCFW is particularly indebted to four of its consultants who left UCOP at the end of the year, for what we hope will be even more exciting pursuits: Judy Ackerhalt, Judy Boyette, Nicholas Jewell, and Jill Slocum. All four remain true friends of UCFW, and their tireless efforts on behalf of UC and the Academic Senate deserve much gratitude and praise. UCFW also enjoyed excellent support from two outstanding analysts from the Senate Office, Michelle Ruskofsky and Kenneth Feer, both

of whom brought wit and good cheer, patience, substantial knowledge and expertise to UCFW. Their significant contributions made the committee a far more effective group.

Respectfully submitted,

UCFW 2007-08

James Chalfant, Chair

Helen Henry, Vice Chair

Kyriakos Komvopoulos (UCB)

Lisa Tell (UCD)

Robert Newsom (UCI, Fall/Winter)

Pauline Yahr (UCI, Spring/Summer)

Shane White (UCLA)

Thomas Morton (UCR)

Rick Redak (UCR, Alternate)

Carlos Weisman (UCSD)

Jacque Duncan (UCSF)

Konstadinos Goulas (UCSB)

Theodore Holman (UCSC)

Larry Pitts (Member At-Large)

Rick Kronick (Member At-Large)

Robert Anderson (Member At-Large)

Michelle Ruskofsky (Analyst, Sept-April)

Kenneth Feer (Analyst, May-August)