

UNIVERSITY COMMITTEE ON FACULTY WELFARE

Approved Minutes of the Meeting

October 4, 2004

I. Welcome and Announcements**John Oakley, UCFW Chair**

UCFW Chair Oakley welcomed members of the 2004-05 University Committee on Faculty Welfare. Following introductions from members and Office of the President (OP) consultants, Chair Oakley noted that agenda item VIII would be taken out of order to accommodate the schedule of OP consultant, Assistant Vice President Switkes.

[Taken Out of Order]**VIII. Proposed Revisions to APM 120 – Emeritus Titles and to APM 200 – Guidelines for Faculty Recalled for Post-Retirement Teaching****John Oakley, UCFW Chair****Ellen Switkes, Assistant Vice President-Academic Advancement**

Issue: At its May meeting, the Academic Council approved revisions to APM 120 and APM 200, as proposed by UCFW. In late August, OP Administration sent modified versions of both proposed amendments to the campuses for review. At that time, UCFW found the proposed draft language to be inconsistent with what the committee had originally recommended. At the request of the Academic Council, the UCFW Chair worked with OP Administration to revise the draft language to more closely reflect UCFW's original intent. That effort has resulted in the 9/29/04 draft revisions, which UCFW members were asked to review and approve.

Overview: Chair Oakley explained the 2003-04 Committee's rationale for putting forward the two proposals. He noted that with respect to the proposed addition to APM 200 of guidelines for a model recall plan, UCFW recommended and the OP Administration agreed to conduct a study in two years' time on the kinds of agreements that were being negotiated under the new guidelines. Those results will be reported back to UCFW. At that time, the committee will determine whether to recommend additional changes. He further noted that the OP Administration stands ready to implement these policies as soon as agreement is reached on the draft language.

Action: Following a brief discussion, UCFW members reviewed and approved the 9/29/04 draft revisions to APM 120 and APM 200 and recommended that they undergo a Senate review. Chair Oakley will forward the 9/29/04 drafts to the Academic Council with UCFW's recommendation that they undergo a Senate review.

II. UCFW Health Care Task Force (HCTF)**Harold Simon, HCTF Chair****Michele French, Executive Director, HR&B Planning and Program Design**

--Briefing on 2005 Medical Premiums

Issue: HCTF Chair Simon explained the charge of the Health Care Task Force and summarized the agenda items for 2004-2005. HCTF Chair Simon and Executive Director French gave an update on the 2005 employee medical premiums.

Overview of HCTF Activities. HCTF Chair Simon distributed information on the history and charge of the Health Care Task Force and the committee's agenda items for 2004-05. (The membership of the Task Force was contained on pages 3 and 4 of the agenda.) Simon reported

that the HCTF would hold three meetings this year scheduled for after the first of the year. At the request of the UCFW Chair, the HCTF is in the process of finalizing a primer on health care costs. A draft of the primer was included as Attachment B in the handout. A glossary of terms for the primer is currently under preparation and will be distributed to UCFW when completed.

Briefing on 2005 Employee Medical Premiums:

HCTF Chair Simon distributed a handout summarizing a mid-September teleconference that the Task Force held on the preliminary medical premiums and plan provisions for 2005. For most plans, net costs will not increase for 2005. Medicare retirees will experience a substantial decrease in their rates due to Medicare reform and to credits that UC accrued last year. This is a temporary increase and not a trend. Executive Director French noted that the rate charts would be distributed to the committee when they are completed later in the week. She cautioned that they should not be widely distributed until mid-October, when preparations for Open Enrollment are underway.

Action: Executive Director French will distribute the 2005 medical premium rate charts as soon as they are completed. She agreed to explain the charts at UCFW's November meeting.

Action: Committee Analyst will send members the web address for UCFW's paper on premium banding and risk adjustment.

[http://www.universityofcalifornia.edu/senate/committees/ucfw/tiered_premiums.pdf]

Action: UCFW Chair noted that the Delta Dental issue would be on the November agenda.

III. UCFW Task Force on Investment and Retirement (TFIR)

Dan Mitchell, reporting for Chair Robert Anderson

Joe Lewis, Director-Communications and Customer Service

Issue: TFIR member Dan Mitchell gave an overview of TFIR activities. He provided an update on the new 457(b) Plan and Director Lewis explained how to enroll in the plan online.

Overview: As of September 1, faculty and staff had the option to contribute pretax dollars to the new 457(b) Deferred Compensation Plan through salary deferral. To date, about 4,700 employees have enrolled in the plan. After a competitive bid process, Fidelity Investments Tax-Exempt Services Company was selected to be the record keeper for the new plan. By July 2005, the 403(b) and DC Plans will also be converted to the Fidelity platform. By moving to a record-keeping platform, UC employees will have the ability to receive daily valuations, effect daily transactions and have access to a new set of core funds. Director Lewis explained how to enroll in the 457(b) plan online through the At Your Service web site - (http://atyourservice.ucop.edu/news/retirement/new_457b_plan.html). He noted that UC was working with Fidelity to make the website more intuitive and easier to navigate. Professor Mitchell added that since the new web-based access system would be offering investment guidance, TIFR had been having discussions on how users might be advised of the best way to incorporate that information. He also cautioned that the monthly cut-off date for affecting transactions in the new 457(b) plan was different from that of the 403(b) plan. For the 457(b) Plan, it is by the 15th of the month.

IV. Update on Budget Issues

Larry Hershman, Vice President-Budget

Vice President Hershman reported that the budget problems in the past few years have left the university with faculty salaries that are below the market by 8 to 10%, when compared to UC's eight comparison institutions, and with major budget cuts in instruction, research, library support, maintenance, and administrative support. In an effort to stabilize the budget and allow the university to recover and move forward, a compact was negotiated with the governor that calls for the state to provide UC with an increase over the base budget beginning with 3% and

increasing to 5% over a period of five years, and also allows the university to retain student fees to deal with inflationary costs, provide increases in financial aid, and meet various other budgetary needs. Those needs include:

- Faculty salaries
- Health benefits
- Reducing the student/faculty ratio
- Maintenance of space
- Graduate student support

Resources will have to be put into all of these areas over the next five years, if UC is to retain its position as a world-class institution. Vice President Hershman noted that he would continue to ask for UCFW's input on prioritizing these needs.

V. Report from the University Treasurer

David Russ, Treasurer

Treasurer Russ noted that investment information could be found on his website at <http://www.ucop.edu/treasurer/>

Treasurer Russ reported that the fiscal year return for the retirement plan was 14.34%, which surpassed the 14.04% benchmark. This is net of all fees and payouts to retirees. Most of the returns came from Equities. In October of 2002, Treasurer Russ recommended to the Regents that UC eliminate the practice of managing funds internally. As a result, UC is in the process of hiring external managers. Large Cap Managers are already in place, and, as of this past week, 25% of the U.S. Equity portfolio is actively managed. As the managers prove themselves, that percentage will be increased. The large cap management fee is, on average .21%, compared to about 1.3% for an investor in the Magellan Fund. Responses to the RFP for International Equity Managers are just now coming in. Last year, International Equities were the highest returning asset class. Treasurer Russ distributed his August presentation to the Regents on the U.S. Equity Manager search process.

VI. Report from Senior Vice President-Business and Finance

Joe Mullinix, Senior Vice President

Senior Vice President Mullinix commented and took questions on the following topics.

Resumption of UCRS Contributions. The cost of UC's retirement plan (UCRP) is approximately 16% of payroll. Assuming reasonable returns going forward, the plan cannot continue to be funded indefinitely without contributions; though, at the present time there is no fixed date for when contributions will resume. Currently the plan is nearly fully funded.

Retiree Health Benefits. It has long been a commitment of UC that if an employee retires as a UCRS member, he or she will continue to have access to UC-sponsored health insurance. While the retiree pays a premium for that access, the premium does not cover the entire cost and UC makes up the difference. UC's subsidy has never been funded but is paid-for out of year-to-year campus operating overhead funds. For a variety of reasons this liability is growing, and, over the long-term, UC will need to develop a strategy on how to manage this unfunded liability.

Lab Issues.

Retiree Health Benefits. The contract that UC has with the National Labs does not explicitly address what would happen with retiree health benefits should UC's contract be terminated. It is UC's view that since retiree health benefits have been a cost in the contract since the beginning, they should remain a cost in future contracts.

UCRP. With respect to UCRP, UC prepares an annual report on the assets and liabilities for each of the labs and the central university. Last year, the Lab plans were close to fully funded.

Implementation of AB 205 – New Domestic Partners Law

At their September meeting, the Regents approved amendments to UCRP and UC's health benefits to conform with California's Domestic Rights and Responsibilities Act, which will become effective on January 1, 2005. The amendments among other things will:

- provide postretirement survivor continuance to an eligible domestic partner of a UCRP member who retired before July 1, 2002; and
- permit a UCRP member who retired before July 1, 2002, and who chose a reduced benefit amount in order to provide his/her eligible domestic partner with income continuation benefits at the member's death, to elect a different monthly payment option to allow prospective treatment equivalent with married members.

Individuals can qualify either under the state's definition or UC's definition of Domestic Partner. The law also requires the recognition of other states' programs. If a domestic partner decides to deregister as such under the state law, UC's benefit entitlements will not be affected as long as he or she qualifies as a domestic partner under UC's definition but caution should be exercised in taking this action. In light of the current budget situation, UC will not provide health benefits to opposite sex domestic partners, at this time except as required by the law. All opposite sex domestic partners will be offered health benefits when UC's budget improves.

VII. UCFW's Recommendation on UC's Budget for 2005-06

Issue: At its July Meeting, the Academic Council asked UCFW and UCPB to take the lead in formulating the Academic Council's recommendation on how anticipated increases in the 2005-06 budget and the additional funds retained from fee increases should be applied. Since the Regents typically consider a proposed UC budget in November, the Academic Council asked both committees to consider this question at their first meeting of this academic year to enable the Academic Council to have timely input on this issue.

Overview: Chair Oakley introduced the topic and began the discussion by asking the following question: Assuming that some part of the discretionary funds will go to employee salaries, how should the remainder be applied?

Discussion - Comments and Recommendations:

- Substandard faculty salaries pose the greatest threat to maintaining the quality of the University of California.
- Competitive faculty salaries are an essential part of recruitment and retention.
- Current faculty salaries lag behind UC's comparison institutions by 8 to 10 percent, and salaries at those institutions are inflating at 3.5 to 4 percent per year.
- An additional problem is the massive shift of infrastructure expenses due to the gross under-funding of the infrastructure over the past decade, i.e., increased parking fees, larger co-pays on health care, etc. One member felt that this should be the top priority, since a large part of any salary increase would be partially offset by increased infrastructure fees.
- Since the University's budgetary shortfall is pervasive and structural and goes well beyond what this augmentation can address, a significant portion of these resources should be concentrated in one area in order to achieve the maximum benefit.
- While there are many important priorities including graduate student support, administrative support, affordable faculty housing, building maintenance, and under-funded infrastructure, the major portion of this enhancement should be used to close the salary gap between UC and its comparison institutions. All other priorities should be addressed only after this pressing concern is substantially alleviated.

- The additional salary money should be applied across the salary ranges to best affect morale, recruitment, and retention, with the raise being one percent higher at the lower levels and one percent lower at the upper levels.
- The money should be applied to range adjustments rather than to merits.
- Part of the money might be used to rectify salary disparities among faculty of similar merit and workload caused by off-scale salary enhancements and other financial advantages granted for hiring and retention purposes.
- There should be a comprehensive Senate review of future funding and distributions of funding, because the current system has become inadequate and outdated.

Action: The majority view of the committee was that faculty salaries should be the top priority. Chair will summarize UCFW's foregoing discussion and recommendation in a letter and send it to the University Committee on Planning and Budget (UCPB) [which was scheduled to meet the following day]. The letter will also be sent to the Chair of the Academic Council.

VIII. – This item taken out of order. See page 1.

XI. Academic Council Issues for 2004-05
George Blumenthal, Academic Council Chair
Cliff Brunk, Academic Council Vice Chair
Overview of the Systemwide Senate Operation
Maria Bertero-Barcelo, Executive Director

Issue: The Academic Council leadership provided an overview of 2004-05 issues and priorities and the Council's Executive Director explained Systemwide policies and procedures.

Academic Council Chair:

UCFW. Academic Council Chair Blumenthal listed several issues that he would like UCFW to take under review during this academic year. He encouraged UCFW to consider again how a fee waiver program could be structured in a way that would make it more affordable for the university to implement. Last year the committee proposed a phased plan, which was determined by OP Administration to be too costly to initiate during these times of stringent budgets. Council Chair Blumenthal also noted that this would be an opportune time for UCFW to evaluate how the parking principles, which were formulated by the committee and endorsed by the Academic Council three years ago, were being implemented on the campuses. It would be useful for the committee to draft a report on its findings for members to share with their campuses. Monitoring of UC's retirement system should continue to be a priority item for UCFW.

Academic Council Issues. Council Chair Blumenthal reported that the areas of focus for the Academic Council would include future budgets, the DOE Labs, the Senate's role in the oversight of the California Institutes of Science and Innovation (CAL ISIs), restrictions associated with research funding sources, admissions issues, graduate student support, and personnel issues.

Committee Operations. With respect to committee operations, Council Chair Blumenthal encouraged UCFW to hold executive sessions, since this is a faculty committee and faculty should have the opportunity to hold discussions without others present. He also noted that an important responsibility of committee members is to serve as liaisons between the systemwide committee and their campus committees.

Academic Council Executive Director:

Executive Director Maria Bertero-Barcelo provided a brief overview of Systemwide Senate operations, and explained her role. She is responsible for the oversight of all Senate resources, including the budget.

Web Policy. The Executive Director distributed a handout containing information on the UCFW web page (<http://www.universityofcalifornia.edu/senate/committees/ucfw/>), and the policy on public access to minutes, as drafted by the General Counsel. She noted that beginning with this academic year, the agendas and approved minutes of all Systemwide Senate committees and the Academic Council would be posted on the Senate's website: (<http://www.universityofcalifornia.edu/senate/welcome.html>).

Senate Travel. Faculty from UCI, UCLA, UCR, UCSB and UCSD are encouraged to use UCLA Travel. By doing so the Senate saves a substantial amount of money in travel costs. The savings realized last year enabled the Senate leadership to schedule more committee meetings for this academic year. Reservation procedures and instructions for travel reimbursement can be found on the Senate's website

at: <http://www.universityofcalifornia.edu/senate/resources/travelregulations0405.pdf>

The meeting adjourned at 4:00 p.m.

Meeting Distributions:

- 1) Charge and History of the UCFW Health Care Task Force with Attachment B – An Annotated Primer on Health Care Costs Prepared for the University Committee on Faculty Welfare
- 2) Presentation to the Regents – 603 U.S. Equity Manager Search Update
- 3) UCFW web page and model web agenda
- 4) Policy on public access to minutes from the Office of the General Counsel
- 5) Distributed following the meeting – Year 2005 California Medical Program – Employee Contributions

Attest:

John Oakley, UCFW Chair

Minutes prepared by:
Betty Marton, Committee Analyst