

**Minutes of Meeting****April 12, 2013****I. Chair's Announcements***Dan Hare, UCFW Chair***Update:** Chair Hare updated the committee on several items of interest:

- Recently proposed legislation in Sacramento regarding online education is not supported by the Academic Council, who find them unfixable and in need of complete redrafting.
- Previously agreed-upon rates for the Composite Benefit Rate have been changed, but precise reasons have not been given; testing the software is similarly problematic.
- A report on faculty workload is being prepared for the May Regents' meeting.
- Mary Gilly, the current division chair from UC Irvine and a Professor of Marketing, has been elected as Vice Chair for the 2013-14 Academic Council.
- Human Resources has approved the following statement regarding UC Care:  
    "The University is committed to having UC Care as a choice in its Medical Plan portfolio for 2014. Ongoing negotiations continue with the third party administrator and with the Medical Centers to ensure that the network and rates are fully secured in time for Open Enrollment this coming November."
- A committee to review the outcomes of the Negotiated Salary Trial Program is being formed.
- A complete Total Remuneration study for general campus faculty has been approved by the administration; it will use the same methodologies as the 2009 study.
- A revised Open Access proposal has been developed by UCOLASC, and it omits the financial justifications of the program, stressing instead public access to information.
- A proposal from the San Diego division to amend Senate By-Law 55 to expand voting on merit reviews to additional Health Sciences faculty will be sent for review. Members should consider whether a similar proposal might be appropriate for other faculty groups.
- Members are reminded to prepare for the May meeting consultation with Retirement Administration Service Center leaders.

**II. Consent Calendar****1. Minutes of March UCFW meeting:****Action:** The minutes were approved as amended.**III. Update: Task Force on Investment and Retirement***Shane White, TFIR Chair***Update:** Chair White reported that many of the agreed upon Post-Employment Benefit decisions seem not to have been as firmly settled as previously thought. For example, the

University is now two years behind the stated policy goal of achieving modified ARC per the approved ramp-up schedule. As a result of that, combined with divisional reluctance to move beyond 14% employer contributions, attaining full funding for UCRP could be moved back decades, if not generations. Further, the goal of full funding has also been called into question, as lower funding ratios are being posited as providing adequate solvency. Strategies for fully funding UCRP have been difficult to formulate since supporting data for system fund usage have not been provided.

**Discussion:** Council Chair Powell noted that the campuses are just beginning to comprehend the true magnitude of the UCRP unfunded liability obligations, but old myths involving stock market recovery and plan solvency persist. Additional education on the topic again seems needed.

#### **IV. Consultation with the Regents Office of the Treasurer**

*Marie Berggren, Treasurer and Chief Investment Officer*

*Jesse Phillips, Managing Director, Investment Risk Management*

**Update:** Treasurer Berggren began by outlining the role of her office and its reporting lines: to support and report to the Regents' Committee on Investments. Her office oversees \$74B in assets, including the pension, endowments, defined contribution plans, and STIP and TRIP.

Treasurer Berggren also summarized the asset allocation strategy: There are multiple classes of investments (e.g., private equity, public equity, real estate, and fixed income), and each class has its own benchmark. Benchmarks are the average of each class, and the overall investment goal is the weighted average of each class. Within each investment class, allocation is determined by deriving the best expected performance, a mathematical calculation found by anticipating poor, weak, realistic and optimistic returns, and then finding the most favorable likely outcome based on weighted frequency in the modeling (15, 15, 40 and 25). These scenarios are run at regular intervals, and the assets are then realigned as needed, but no more than annually. Between 5-10% of assets can be moved on a tactical basis; larger moves require Regents' approval.

**Discussion:** Members inquired as to the discount rate used in investment calculations, and Treasurer Berggren indicated she used the same rate as the University's actuaries, which is 7.5%. The 7.5% is comprised of an expected rate of inflation of 3.5% and 4% real returns on investments. Members wondered if the expected rate of inflation was too high, and Director Phillips noted that it was the market average as found by longitudinal market study. He added that their goal is not to manage against that number, but rather to optimize returns under all circumstances. Members asked after the difference between the numerically best options and the recommended options. Treasurer Berggren indicated that their recommendations were based on the mid-points of the generated scenarios, and informed by certain restrictions such as the difference between the current portfolio and the target portfolio.

TFIR Chair White asked what liquid and illiquid assets UC held, and Treasurer Berggren noted that most liquid assets were in hedge funds, and that illiquid assets consist of real estate and the physical plant, private equity-buyout funds; she added that venture capital efforts have decreased lately. Chair White suggested that in terms of impact, using excess liquidity on a short-term investment basis, rather than loaning UCRP funds on a medium- or long-term basis, were presented on a falsely equivalent

basis. Treasurer Berggren indicated that her report was reflective of previous discussions, not mathematical forecasting.

Members then asked what the impact on UCRP funding was of a single year of flat returns. Director Phillips noted that it moves the starting point still further back, and Treasurer Berggren added that it compounds the cost of the UAAL.

## **V. Systemwide Review Items**

### **1. APM 600 series (Salary Administration)**

**Issue:** Chair Hare noted that the concerns previously expressed by UCFW regarding the proposed changes have not been addressed in the current iteration, a problem underscored by the absence of a workable definition of “standard teaching load.”

**Discussion:** Members wondered if an acceptable definition of teaching and work load could be found, but it was observed that differential rules across and within locations are prohibitive, as are differences between types of programs, such as self-supporting programs. It is unclear what information needs to be gathered to present a coherent analysis.

Members also noted that their request to have the step and pay restrictions in APM 510 had not been incorporated. It was suggested that UCFW should rearticulate its position for the new provost. Members then lamented the deletion of the sentence requiring the Regents to request salary money from the governor, since it opens discussions of competitive remuneration.

**Action:** Analyst Feer will draft a response for the committee to approve at its May meeting.

### **2. Salary Equity Redress**

**Issue:** In response to a UCAAD study, each campus has been asked to develop plans to evaluate and redress, if needed, any local salary equity issues. UCFW is asked to determine whether the proposed plans meet those goals.

**Discussion:** Most representatives reported that their campus’s proposed plan was developed without Shared Governance, and some reported that even chancellors and vice chancellors were unaware of the specifics of their proposed local plans. Most also reported that more sophisticated statistical methods need to be developed to properly assess the situation, in addition to the general processes outlined.

**Action:** Analyst Feer will draft the committee response and circulate it electronically for approval.

### **3. HCTF Medicare Primer**

**Issue:** There are two questions: 1) is the primer useful in its current version, and 2) who should have ownership of retirement counseling information? Regarding the latter, HR asserts that a single message accessible through a single portal is preferred for retirement counseling, but that brings into question campus programs and their fate given the upcoming centralization of retirement services at UC Path.

**Discussion:** On the first question, some members felt that the document was too technical and elevates an issue that few will encounter to an unnecessary concern

for many. Others added that the shifting employer contribution rates and their benchmark made clear calculations impossible to include.

**Action:** Members will send specific textual concerns to HCTF for evaluation/incorporation.

## **VI. Consultation with the Office of the President – Academic Personnel**

*Susan Carlson, Vice Provost*

**Update:** Vice Provost Carlson updated the committee on several items of interest:

1. APM 241 (Faculty Administrators):

The Academic Planning Council will shortly be sending for review a proposed revision to APM 241 to align MRU director appointment processes with the Regents Standing Orders and the Compendium.

2. ADVANCE Faculty Roundtable:

The goal of the Roundtable is to explore mentoring for women and underrepresented minorities in STEM fields. In the fall, the roundtable focused on STEM faculty reviews, and the spring roundtable will focus on latina faculty. The supporting data is telling.

**Discussion:** Members agreed that the data were dispiriting, noting especially the drop from assistant to full professors. VP Carlson noted that sponsorship has recently entered the conversation, as has the need for a clear commitment from the highest levels of leadership.

3. UC Recruit:

The tool is in use for administrative search committees already, and serves as a repository and information flow regulator. July 1 is the target date for full systemwide implementation, and current efforts focus on integrating national math databases to better inform diversity statistics and define the pipeline. To date, funding has been allocated for the next four years.

4. Faculty Age Distribution:

Previously observed trends continue: the 70+ segment of the faculty continues to grow while the 26-30 and 30-35 cohorts are shrinking.

## **VII. Consultation with the Office of the President – Business Operations**

*Nathan Brostrom, Executive Vice President*

*Dwaine Duckett, Vice President, Human Resources*

*Gary Schlimgen, Executive Director, Retirement Programs and Services*

**Update:** Vice President Duckett reaffirmed the administration position that the University is committed to having a single benefits package.

**Update:** Executive Vice President Brostrom reported that the President is expected to propose UCRP contribution rates for July 1, 2014 of 14% for the employer and 8% for employees. Executive Director Schlimgen reminded members that the contribution increase to 12%/6.5% on July 1, 2013, will cover the plan's normal cost for the first time since contributions resumed. The planned increase in 2014 will begin to pay down the interest on the unfunded liability. The employer will contribute the same amount to both UCRP tiers, while members in the 2013 Tier will contribute 7% for now.

**Discussion:** TFIR Chair White noted that until the unfunded liability is fully addressed, the University's debt will continue to grow. EVP Brostrom indicated that campus

leadership preferred easier access to funds than would be afforded them by sending funds to UCRP. TFIR Chair White observed that the anticipated returns from the more flexible option, LTRIP, were lower than those expected from UCRP. EVP Brostrom countered that LTRIP would earn a similar rate of return, but members noted that the proposed asset allocation is inadequate to generate such returns. Further, members asserted that another market downturn could devastate the account. EVP Brostrom observed, however, that TRIP weathered the 2009 downturn, and slightly longer smoothing in the proposed LTRIP would ensure its solvency. Members wondered how longer smoothing would allow for the stated LTRIP goal of allowing 6-month deposits and short-term spending flexibility.

Members asked what arguments might be persuade local leadership to fund UCRP over LTRIP. Council Chair Powell noted that there is a wide range of understanding at the campus level of the size of and urgency of addressing the UCRP obligation. Chair Hare added that maintaining only a 14% employer contribution level is not sustainable on a long-term basis. Executive Director Schlingen reminded members the Regents funding policy calls for an incremental increase in employer contributions.

Members then asked who besides local leadership should be lobbied on the matter, noting that the Regents set investment policy and thus should have access to as much information as possible, not just one proposal. Members also wondered how long-term viability, even at the cost of short-term pain, was being presented to the Regents and others. EVP Brostrom remarked that annual renegotiations would occur, so the employer contributions rates could continue to increase, per policy. But members again noted that delay is costly, possibly most costly than the benefits of short-term flexibility.

Members asked if a firm contribution target could be set and local leaders given time to adjust, but EVP Brostrom indicated that no firm numbers would be set for out-year contributions rates, given that markets fluctuate. Members proposed setting a firm date for achieving full funding, instead. EVP Brostrom suggested that the committee devise specific recommendations and send them through channels, but members noted that they had not been given enough information to develop specific recommendations.

EVP Brostrom noted that the administration is working to secure additional one-time funds for UCRP from the state.

## **VIII. Consultation with Academic Senate Leadership**

*Robert Powell, Academic Council Chair*

*William Jacob, Academic Council Vice Chair*

1. Negotiated Salary Plan
2. UCRP Funding
3. Recently Proposed State Legislation

*\*\*Note: Item occurred in executive session; other than action items, no notes were taken.\*\**

## **IX. New Business**

1. Preparation for May UCFW Meeting:

**Issue:** Chair Hare reminded members that the Retirement Administration Services Center (RASC) leadership would be consulting with the committee in

May and encouraged members to send summaries of their local retirement counseling resources as additional background.

Meeting adjourned at 3 p.m.

Minutes prepared by Kenneth Feer, Principal Analyst

Attest: Dan Hare, UCFW Chair