

**Minutes of Meeting****February 8, 2013****I. Chair's Announcements***Dan Hare, UCFW Chair***Update:** Chair Hare updated the committee on several items of interest:

1. Online education: Governor Brown has allocated \$10M for online education. How to spend the money will be discussed at two summits in April, one each in northern and southern California. Despite negative reviews from several stakeholder groups, decision-makers are determined to move the project forward in the short-term.

2. January Academic Council meeting: The campus EVC/Ps met with the Council, and many took the impression that the EVC/Ps prioritized access and affordability over quality. Pension contributions and COLAs are being pitted against undergraduate seats in a budget face-off.

**Discussion:** Members inquired how the EVC/Ps viewed the UCRP obligation. Chair Hare noted that many seem to view it as an increasingly large problem, but as a long-term existential issue, not a short-term operations issue.

3. Liquidity: CFO Taylor has developed a liquidity analysis (see Item IX below). How best to utilize excess liquid capital (UCRP debt reduction or day-to-day operating costs) is under discussion.

4. Funding decisions: Now that the Senate has successfully led the effort to reinstate and institutionalize the Health Care Facilitator program, how can we ensure that similar mistakes are avoided in the future? One option may be to gain membership on the reconstituted Executive Budget Committee.

5. "Stop the Clock": The Riverside division has been developing a proposal to expand the "stop the clock" options for tenure-track professors who experience significant life events (see Item VI below).

6. LAO report on UC Faculty: Whether and how to respond to the debatable claims in the LAO report will be discussed further in Item V below. Many faculty have concerns around the framing and interpretation of facts, especially regarding the recruitment process.

**Discussion:** Members added that teaching load perceptions are also harmful to faculty interests. Members also noted that using 2000 data is questionable, since so much has changed since then. Further, non-salary reasons for declining an appointment or leaving UC are not explored.

**Action:** Chair Hare, Berkeley Representative Moore, and Irvine Representative Meenakshisundaram will draft the committee's response.

**II. Consent Calendar**

1. Minutes of December 14, 2012

**Action:** The minutes were approved as noticed.

2. Minutes of January 11, 2013

**Action:** The minutes were approved as amended.

### **III. Executive Session**

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

**Action:** The revised proposal from Riverside to amend the “stop the clock” provisions of the APM will be forwarded to Academic Personnel.

**Action:** UCFW will write to the Academic Council, asking Council to request Senate membership on the Executive Budget Committee.

### **IV. Divisional Reports**

Berkeley: 1) The debate of whether to outsource management of local child care facilities is close to resolution; a complete update will be offered in March. 2) A task force to improve communication with the local academic personnel office is being formed to address timeliness of reviews and material submissions.

Davis: 1) New enrollment projections expect an increase of international students by as many as 5000 over the next decade. 2) Younger faculty seem to be taking counteroffers more seriously due to a lack of faith in UCRP’s long-term solvency, traceable to recent moves and statements by the administration.

Irvine: 1) An increased push for mental health services for faculty and staff has been embraced by campus leadership (student mental health services are already good). A stress management program is being launched. 2) Some faculty raised the question: If child care is included in the composite benefit rate, is it not an obligation of the University, not an option, to provide it?

Los Angeles: 1) The admission process of local pre-kindergarten and lab school is under scrutiny. Renewed attention is being given to campus-proximate, publicly-accessible middle and high schools. 2) There is concern that retirees and emeriti will not have access to the new conference center, even though they are among the heaviest users of the status quo facilities.

Merced: 1) The new campus provost will be visiting with the local faculty welfare committee, and so members received a PEB and UCRP tutorial. Long-term employment security versus the loyalty penalty will also be a topic. 2) Mentoring of junior faculty is difficult given the absence of senior faculty on campus, despite the well known positive impacts of mentoring on productivity and career advancement.

Riverside: 1) The local faculty welfare committee developed a “stop the clock” proposal (see also Item VI below). 2) A new joint committee to study online education is being formed.

San Diego: (absent)

San Francisco: 1) Many faculty are concerned about the perceived over-reliance on “soft money” for payroll. 2) In a nod to post-modernity, a new faculty office building is rumored not to have office doors; how to seek redress is under investigation.

Santa Barbara: (no update)

Santa Cruz: Budget cuts have had deleterious impacts on the workplace safety and hygiene: custodial is now available on a for-fee basis only.

**Discussion:** Members noted that many locations now see faculty augmenting pared-back custodial budgets and workforces.

## **V. Consultation with the Office of the President – Budget**

*Patrick Lenz, Vice President*

**Update:** Online education is receiving much attention in Sacramento: The governor included dedicated funds in his January budget, and the legislature has already scheduled hearings on cost. The LAO and the governor have also been vocal regarding time to degree and transfer rates, but their dialogue leads some to question their assumptions regarding quality outcomes. Similarly, the LAO and the governor seem to take little notice of historical context when discussing UC's budget and how it should respond to current funding levels.

**Discussion:** Chair Hare noted that UCFW is working on a response to the LAO report on faculty salaries, recruitment, and retention, and asked how much refutation VP Lenz's office has undertaken. VP Lenz indicated that his office has not made specific comment on it, since they did not want to bring any additional legitimacy to it. Nonetheless, receiving UCFW's commentary will be helpful in future discussions on many topics.

Members asked about state funding for its share of the UCRP obligation, and VP Lenz answered that some progress has been made: The January budget meets this year's costs, and discussions continue for an additional one-time payment on the UAAL.

Members wondered whether the state was becoming too interested in UC's internal operations. VP Lenz agreed that more attention is being given than in the recent past. The governor is thought to have legacy concerns, while the legislature is scattershot and seems not to understand the value and meaning of the University of California. One example is a five-year tuition freeze, which has good sound-bite quality, but devastating consequences for the actual delivery of education. Again, the working assumptions regarding educational quality are flawed, as is their understanding of a university's finances: a tuition freeze *necessitates* more aid money from the state, or else it *increases* the burden on low-income students through more self-help requirements. It is also unclear how to illustrate the value of non-podium instruction, since the development of a student requires more than "book learning".

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

*Susan Carlson, Vice Provost*

### **1. "Stop the Clock":**

**Issue:** The Riverside division developed a proposal that would grant to chancellors the authority to give a maximum extension of 2 years on the tenure "clock" for junior faculty who experience exceptional, life-changing circumstances, other than the birth of a child.

**Discussion:** Vice Provost Carlson noted that her previous institution had made a similar expansion, so there are precedents. Members also asked if sick leave with pay occurred "off the clock", and it was noted that it is a separate accounting.

**Action:** Vice Provost Carlson will investigate implementation options for the proposal and report back.

## **VII. Health Care Task Force Update**

*Dan Hare, UCFW Chair*

**Update:** Chair Hare updated the committee on several items of interest:

1. Health Care Facilitators: Central funding for the program has been restored, and many thanks have been received.
2. Health and Welfare Insurance Re-bid: The process will continue into the spring; no decision deadlines have come and gone.
3. Student Health Insurance Program funding: Reports that the SHIPs program has been financially mismanaged has raised alarm on many fronts. (See also Item IX below.)

## **VIII. Task Force on Investment and Retirement Update**

*Shane White, TFIR Chair*

**Update:** Chair White reported that the main issue before TFIR is to maintain momentum toward reaching the Annual Required Contribution (ARC) for UCRP. The Regents funding policy notwithstanding, several stakeholder groups keep arguing for greater short-term fiscal flexibility. TFIR counters that the arguments in favor of short-term flexibility are flawed: 1) Changing the expected rate of return on investment assumptions is not a fact-based strategy, and will do nothing to improve the real funding status of the plan. 2) Emphasizing short-term start-up packages and operating costs will not improve retention prospects five years down the line. So far, the most persuasive argument is that full funding is current policy and is no change.

## **IX. Consultation with the Office of the President – Business Operations and Chief Financial Officer Division**

*Nathan Brostrom, Executive Vice President, Business Operations*

*Dwaine Duckett, Vice President, Human Resources*

*Peter Taylor, Chief Financial Officer*

1. Health and Welfare Benefits Re-bid

**Update:** VP Duckett reported that the RFP process continues. So far, 9 bids for UC Care have been received, and preliminary vetting begins the week of February 19. In addition to faculty participants, informational meetings are being scheduled for union coalition representatives and the Council of UC Staff Assemblies.

2. UC Path Center and Project

**Update:** CFO Taylor reported that the project calendar is being extended to allow for greater start-up testing and fuller staffing of the Riverside hub. Wave 1 may be delayed until next spring, but waves 2 and 3 will not be pushed out.

**Discussion:** Chair Hare noted that some of the southern campuses are losing staff to the career-offering hub, and so are finding it difficult to carry out job duties during the transition period. CFO Taylor indicated that only the core payroll jobs were centralizing, and that better messaging is needed to educate people as to what will and will not be relocating, and when, if appropriate. Chair Hare asked how campus efficiencies during the actual transition would be handled, given the challenges in just the run-up to wave 1. CFO Taylor responded that reports to his office indicate that most employees seem to be taking a “wait and see” approach to job transfers based around the project. Nonetheless, transition issues should be addressed in conjunction with system and campus human resources officers.

Members agreed that messaging on the project needs enhanced, but wondered how much clarity could be added given the number of unanswered questions and the changing time line. CFO Taylor noted that central involvement should finish in just a few months, then concrete information can be given to the campuses for decision-making on their end. Members also asked how the cost savings projections were calculated. CFO Taylor answered that the primary goal of the project is to create a better system. Savings projections assume shared services.

3. Faculty Merits and Benefits Off-sets

**Update:** EVP Brostrom reported that President Yudof has decided that there will not be any across the board raises this year, given that some other state workers are still undergoing a furlough. Current plans include raises for 13-14, but no decisions can be made until after the May budget revise is announced.

**Discussion:** Members noted that other state workers have had their workload decreased commensurately, so it is inaccurate to call it a furlough. Nonetheless, EVP Brostrom rejoined, the state continues to cover their full pension obligations.

Members asked how a potential raise of 3-5% would be allocated. EVP Brostrom noted that faculty merits will occur, but that it will be up to the campuses to determine how to administer any other salary actions - on an across the board basis or as additional funds for the merit pool. Members voiced their concern over leaving salary administration decisions to local officials, noting a history of inequitable distribution. Members also voiced their concern over the apparent conflation in the minds of many administrators of the concepts underlying merits, as distinct from COLAs or raises: merits are designed to reward academic accomplishment and to improve one's standard of living, whereas COLAs and raises are designed to off-set benefits and external inflation and to maintain one's standard of living. As a result, the incentive for excellent performance has been undermined, and faculty morale suffers as a result.

4. Total Remuneration

**Update:** VP Duckett reported that there are no central funds for a comprehensive study, so alternative studies are being explored.

**Discussion:** Chair Hare asked how much a general campus ladder rank faculty-only study would cost, and VP Duckett indicated that the option was still being costed out. Another option that is less rigorous but allows for easier comparisons is a benefits prevalence study; it would take 6-8 months and cost under \$1M. Such a study should provide a clear indication of market competitiveness. Members asked what such a study actually analyzed, and VP Duckett said that it does not involve a one-to-one job mapping, but more closely follows the Mercer methodology. TFIR Chair White reminded VP Duckett and EVP Brostrom that the Mercer benefits valuation methodology was soundly rejected during the PEB process because it significantly skews the value of a defined benefit plan. EVP Brostrom wondered if the same methodology as last full study could not be repeated, and VP Duckett stated again that such a study is too labor intensive and expensive at this juncture.

**Action:** VP Duckett will report back on the possibility of a general campus LRF-only total remuneration study update.

5. Liquidity Study

**Update:** CFO Taylor reported that his office has recently completed a study of the University's liquidity status, and found that UC suffers from "extreme liquidity". Rather than carrying a large balance in the University "checking" account, STIP, which yields low interest returns, some of the liquid capital could be moved into a higher yield entity, and the payouts used on an unrestricted basis. The new entity would be LTRIP, which would function like TRIP, but its investment portfolio would more closely match that of UCRP.

**Discussion:** Members asked why such a move was not made before now. CFO Taylor noted that alternate accounts were only created in 2008, so it would have been imprudent to move funds without a multi-year impact study; also, total funding changes over time, so all allocations must be revisited regularly to optimize returns. Chair Hare asked how the returns from the reinvested liquidity would be meted out, and CFO Taylor indicated that returns would be in proportion to each campus' share of the investment. Members asked of the potential pitfalls of this strategy, and CFO Taylor said that low returns are the largest risk.

EVP Brostrom added that further deposits directly to UCRP were also discussed, and local officials could make the decision to use their local returns to partially fund their UCRP obligations. Members asked if the campuses could be directed to use their returns in a specific fashion, but that does not seem possible at present.

6. UCRP Funding Status and Contribution Rates

**Issue:** Members are concerned that University commitments to achieving full ARC, per Regents policy, are being eroded.

**Discussion:** EVP Brostrom observed that there is little value in making long-term plans since year-by-year, significant fluctuations occur and need to be addressed. Further, the importance of achieving 100% funding ratio is not clear to all stakeholders, especially those for whom day-to-day operating costs are overwhelming at present. Members asked how the Regents policy was being amended to reflect current practices. EVP Brostrom asserted that the Regents funding plan is only one option among many to exercise fiscal rectitude. Members rejoined that it is not consistent for the administration to indict those who want to change UC's expected rate of return in response to pressures of the day, when the impact of delaying full ARC, to meet today's operating costs, would be the same: to kick the can down the road to future generations. EVP Brostrom suggested that the higher yield, proposed LTRIP, would allow campus administrators to fund UCRP from the returns while using the principal as intended, for operating costs. But members recalled that local officials cannot be given directives on how to use fungible cash.

7. Student Health Insurance Program

**Issue:** Many members are concerned about reports of fiscal mismanagement of the program, and many students are concerned that UC has not opted-out of the ACA's lifetime cap on benefits.

**Discussion:** CFO Taylor noted that the lifetime cap for student self-insurance plan is \$430K, and that only five students have reached the cap to date.

Nonetheless, the administration is investigating the cost to remove the cap altogether or to raise it to \$500-600K. The program has indeed been running at a deficit, and efforts to fix the situation are being investigated. The reasons why the program is running at a deficit are subject to litigation, and thus cannot be discussed publicly. For sustainability moving forward, the only real option is to increase premiums to students, but even so, the SHIPs program will be a low-cost option in the health care market. How high the premiums go depends in part on how high the cap is, if any.

8. Health Care Facilitators

**Update:** VP Duckett will meet with the facilitators next week to plan sustainable strategies for the program moving forward.

**X. Further Discussion**

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

Adjournment: 3:25 p.m.

Minutes prepared by Kenneth Feer, Principal Analyst

Attest: Dan Hare, UCFW Chair