

**Minutes of Meeting
January 14, 2011**

I. Chair's Announcements

Note: Item occurred in Executive Session; other than action items, no notes were taken.

II. Consent Calendar1. Draft Minutes of November 12, 2010:

ACTION: The minutes were approved as amended.

2. Draft Response to Proposed Amendments to APM 010, 015:

ACTION: The draft was approved as noticed.

3. Draft Response to Review of Policy on Self-Supporting Part-Time Graduate Professional Degree Programs:

ACTION: The draft was approved as amended.

III. Update: Health Care Task Force (HCTF)

Robert May, Chair, HCTF

UPDATE: The Task Force discussed alternate ways of presenting the employer contribution to health care premiums, noting that UC now applies 85% of the lowest statewide program to each participant, regardless of plan or pay band. Thus, Tier 2 employees, who account for 65% of UC's workforce, receive only a 49% subsidy. The impact of this diminution in applied subsidy rates is expected to hit retirees disproportionately hard. Moreover, as retirees also suffer the effects of inflation at a disproportionate level, the absence of COLA adjustments for that population is especially difficult.

DISCUSSION: Council Vice Chair Anderson noted that there was a separate health inflation index, measured separately from the standard CPI; it is unknown at present whether the health inflation index includes separate calculations for retirees. Other members noted that many lower income employees did not switch into the new lower-cost HealthNet Blue & Gold tier. Members speculated that the lack of movement could be due to the need for affirmative enrollee action, the necessity of finding a new doctor, or the interruption of care programs for specific health needs. Chair May added that the new enrollment profiles may have also changed the risk adjustment models.

IV. Consultation with the Office of the President – Office of Risk Services

Grace Crickette, Chief Risk Officer

Erike Young, Director, Environmental Health and Safety (EH&S)

Mark Freiberg, Director, EH&S, UCB

ISSUE: Chief Crickette reported that loss prevention has saved the University significant amounts, both in terms of dollars and work-time missed due to injury. In six years, the number of injuries has been halved.

DISCUSSION: Members inquired whether telecommuting could be considered a cost avoidance strategy, and Chief Crickette indicated that it should be. Members noted,

however, that local officials have required home ergonomic evaluations, which have been cost prohibitive. Chief Crickette noted that such measures are optional. Members also inquired about earthquake insurance, and Chief Crickette reported that the best strategy for seismic loss prevention is good construction and pre-emptive retrofitting. She added that workers compensation policies would cover any harmed employees; while structural damage to the physical plant is not currently covered, UC has fire-after coverage.

Members then asked about the level of collaboration between the UCOP Risk Services office and the campus counterpart offices. Chief Crickette said that each campus office traditionally operates independently, given the unique needs of each campus' research profile, as well as specific city and county codes. Director Young added that the campus directors of EH&S meet regularly, and Mr. Freiberg is the current chair of that body. Another obstacle to more uniform safety procedures is that regulatory agencies shift emphases across time, and often by location.

Mr. Freiberg noted that academic lab safety is a high profile topic, and one that has easily diagnosed problems, such as poor tracking, unclear reporting lines, poor risk assessment processes, and little pre-emptive training. Members agreed, observing that the regulatory requirements are difficult to meet, especially as many include multi-year projections. Nonetheless, Chief Crickette stated the goal of her unit: success will not be measured by a cost-benefit analysis; industry can have zero claims, and UC can, too.

V. Update: Mandatory Training Assessment Project

Larry Pitts, Provost

Sheryl Vacca, Senior Vice President, Office of Ethics, Compliance, and Audit Services

ISSUE: SVP Vacca summarized the project to date, which has gathered a master list of mandatory training at each campus, the mandating authority, their frequencies, and their target populations. Next steps will include faculty consultation and the development of simple, comprehensive training tracking which minimizes duplications.

DISCUSSION: Members were encouraged by the report, and inquired as to the time line for the next steps. SVP Vacca indicated that she hoped to convene a working group this spring and issue recommendations in 6-8 months. Members lauded the aggressive timeline, noting that current procedures cost both time and morale. Members encouraged SVP Vacca and Provost Pitts to include as many stakeholders as possible so that coordination could be maximized.

ACTION: UCFW will be represented on the Mandatory Training Assessment Project workgroup by Vice Chair Parker, UCLA Representative White, and UCR Representative Hare.

VI. Consultation with the Office of the President – Budget

Patrick Lenz, Vice President

UPDATE: VP Lenz reported that the current state budget proposes a \$500M cut to UC, which would lower state funding to the 1998-99 level, despite significant increases in operating expenses and student enrollment. The chancellors have been asked to submit proposed budget cuts by March 1. Hearings will be held in Sacramento in two weeks, and they may be UC's best opportunity to convince the legislature of the need for more robust university funding.

DISCUSSION: Members asked if there had been more talk about the oil severance tax, and VP Lenz indicated that there had not been any public discussion on that topic. Members then asked whether UCRP would receive a line-item allocation, and VP Lenz indicated no, not at present. Members also asked whether it would be possible to apportion the \$500M cut over two years. VP Lenz stated that such modeling had not yet been undertaken. He added that if the June ballot initiative does not pass, or does not even occur, the cuts may increase, so the full scope of the problem is not yet known, thus impeding the development of plans. Furthermore, the state often defers payment to the end of the fiscal year, which places additional stress on operating capital since UC's payments cannot be similarly deferred.

VII. Systemwide Review Item I: "Funding Streams" Proposal

DISCUSSION: Some members lauded the proposal's intent to increase transparency, but felt that comment was beyond the charge and expertise of UCFW. Others suggested that comment could focus on principles to be followed, not on specific payment routes.

ACTION: UCFW will return to this topic at its next meeting.

VIII. Consultation with the Office of the President – Human Resources

Gary Schlimgen, Director, Pension and Retirement Programs

1. Appendix E:

ISSUE: Today, about 226 active employees are receiving covered compensation over the allowable federal limit for determining pension benefits (currently \$245K/yr) and thus are potential Appendix E beneficiaries. 24 of these are pre-1994 hires and are over the grandfathered limit (\$360K/yr). Of the 226, not all have vested in UCRP. 57 retirees since 2001 would be eligible, since they retired with covered compensation over their limit. Of the total actives, approximately 100 are faculty: about half are in the health sciences compensation plan, with the remainder in business, economics, law, or are otherwise above-scale individuals. In 2008, the estimated cost of implementation was \$50.6M, which has grown to \$61M in 2010; the normal cost of the provision would be \$6.2M, or less than ½ of 1% of UCRP's total normal cost. Another way to estimate the cost is by the present value of future benefits: This method projects each active member's compensation and the IRC limit until the member's assumed retirement, and then the values are discounted back to the current valuation. The current estimate of the present value of future benefits is \$110 million, which includes \$61M of past normal cost (actuarial accrued liability) and the current year's normal cost of \$6.2M.

Appendix E was designed to address recruitment issues at the time and to treat all employees, regardless of compensation level, in the same manner for purposes of retirement calculations. Conditional Regental approval for this benefit occurred in 1999, subject to IRS approval, and concurrence (by the President, the Chair of the Board of Regents, and the chair of Committee on Finance) on implementation of the proposal. In 2007, the IRS issued a favorable determination letter, but Appendix E has never been implemented. President Yudof and Chairman Gould recently issued a joint statement clarifying that

Appendix E was not self-executing and that the proposal was never implemented, and thus has never become effective.

DISCUSSION: Members inquired whether acting deans would be eligible for Appendix E benefits, and Director Schlimgen responded that he only accessed title codes, not position titles. Members also asked for a diversity profile of the affected group, but Director Schlimgen indicated that such an analysis had not been undertaken. Although previous UCFWs and the Academic Council have opined that implementing Appendix E would be harmful to UC, some members wondered whether the current UCFW should advocate for this subset of faculty. Other members wondered whether implementing Appendix E would be the most strategic use of limited funds in the present environment, and still others suggested that other ways of overcoming restrictive Internal Revenue Code limits might be found.

2. 415(m):

ISSUE: The Internal Revenue Code (IRC) also has a limit on what UCRP can pay out (\$195,000 annually at age 62, lower at younger ages) and the 415(m) Restoration Plan, a type of plan specifically allowed for in the IRC, is designed to make whole the gap between the IRC pay out limit and the amount of the earned UCRP benefit to impacted employees, generally those with both very long service and high salaries. Departments are charged employer assessments based on actual and anticipated payouts. Director Schlimgen noted that the assessments have been kept low, almost on a pay-as-you-go basis, to limit the impact on locations and departments. Increasing pension payouts combined with a flat 415 limit have increased estimated 415(m) liabilities, creating fluctuation in the annual assessments. Approximately 1000 active employees are estimated to be potentially eligible for this provision over the next 10 years, with 70% of that pool faculty.

DISCUSSION: Members commented that variations in the rates make fiscal planning difficult. Council Chair Simmons noted that the Senate has traditionally supported the 415(m) plan.

IX. Consultation with the Office of the President – Academic Personnel

Susan Carlson, Vice Provost

1. APM 670 Revision:

UPDATE: Work on the revision continues. A draft should be ready by late spring.

2. Alternate Compensation Plans:

UPDATE: The joint Senate-administration working group will meet soon and begin discussions on whether the Health Sciences Compensation Plan (HSCP) can be adapted to a similar negotiated salary plan for other departments. Information will be provided as it becomes available.

3. Family Friendly Policies:

UPDATE: The Berkeley campus' pilot program on Emergency Back-up Care is ending, and preliminary results indicate that it was a successful plan. Additional pilots are under development.

ACTION: UCFW will request a full update from Berkeley on this program at an upcoming meeting.

4. Faculty Competitiveness Report:

ISSUE: The Regents will receive their second faculty competitiveness report at their meeting next week. A preliminary draft has been circulated to UCFW.

DISCUSSION: Members asked whether summer salaries were included in the data, and VP Carlson answered no. Similarly, HSCP data are not included in this analysis. Members also asked how UC's rank and step system's efficacy was being measured, noting that anecdotal reports suggest that many do not like it. Others, however, suggested that the current system, even if imperfect, was preferable to not having any systemwide standards. Members noted that statistics on tenure rates could be misleading due to hiring practices and self-selection into tenure reviews. Members queried if counter-offers were tracked and how retention success was being measured. Anecdotal reports of spousal appointments notwithstanding, means of successfully recruiting the next generation of lead faculty must become a priority.

X. Systemwide Review Item II: Report and Recommendations of the Task Force on Senate Membership

DISCUSSION: Some members felt that the recommendations would not address the realities faced by many in the health sciences, namely, that a re-class would do little to repair a damaged culture. Others agreed, noting that despite their different functions, all employees should be afforded the same level of dignity and inclusion. Further, differential utilization practices of adjunct faculty would not stop by moving a few people into different title codes, and Senate membership is not a cure-all. Nonetheless, continuing current practices of mis-appointing new hires will only exacerbate extant internal management problems. Some members suggested that whole-sale reclassifications could lead to a significant shift in the balance of power between general campus faculty and medical center faculty. Whether such a shift would bring positive, negative, or no change to the Senate is unclear.

A few members suggested that not all current Senate members fulfill all three parts of the University mission in equal parts, and thus are functionally indistinguishable from non-Senate faculty, regardless of appointment. Indeed, the report seems to indicate that the Task Force did not question whether maintaining the status quo criteria for Senate membership was defensible or desirable.

Finally, members speculated what rights non-Senate faculty would seek, besides inclusion in important discussions.

ACTION: By a vote of 8-1-1, UCFW will endorse the Task Force report as written. A minority report will also be submitted.

XI. Update: Task Force on Investment and Retirement (TFIR)

Helen Henry, TFIR Chair

UPDATE: TFIR has not met since the December UCFW meeting, but during their next meeting, will inquire after the long term employee contribution rate for UCRP status quo ante and whether current active employees will be offered the choice of enrolling in the new tier for future service accruals, should they so desire.

XII. Divisional Concerns

Note: Item occurred in Executive Session; other than action items, no notes were taken.

XIII. New Business and Follow-up 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, Senior Policy Analyst

Attest: Joel Dimsdale, UCFW Chair