

**Minutes of Meeting**

**June 10, 2011**

**I. Announcements**

*Joel Dimsdale, UCFW Chair*

*Bill Parker, UCFW Vice Chair*

1) Academic Council meeting of May 25, 2011:

**UPDATE:** Vice Chair Parker reported that UCLA Representative White had been approved as the Academic Senate's second representative to the UCRS Advisory Board. Regent Bonnie Reiss attended the meeting. Budget negotiations in Sacramento continue.

2) Academic Assembly meeting of June 8, 2011:

**UPDATE:** Chair Dimsdale reported that Provost Pitts had asked for reports of faculty being poached, as well as how to administer a proposed 3%/year faculty salary increase over the next 5 years.

**DISCUSSION:** Members inquired how much local flexibility would be allowed if the multi-year salary increase plan went forward. Council Vice Chair Anderson indicated that the sticking point is still whether to include off-scales. Members noted that collective bargaining agreements have proved more successful in securing salary increases in writing from the administration, and it was wondered what the relative rates of increase are over time.

**II. Task Force in Investment and Retirement (TFIR) Update**

*Helen Henry, TFIR Chair*

**UPDATE:** Chair Henry reported that TFIR member Professor Shane White (UCLA) was elected to the UCRS Advisory Board. TFIR received a preview of changes to the UCRP Experience Study, which defines the assumptions underlying the determination of the plan's normal cost, and will continue to be engaged with Human Resources (HR) as the Study is revised. UCRP received \$1.1B from STIP in May, and a second billion in deposits is expected following the sale of some UC bonds. The Retirement Readiness Survey administered by HR is being converted to an online tool, so the questions and parameters are being revised; UCFW was volunteered to beta-test the redesign. TFIR will monitor the promised review of the retirement disability benefit.

**III. Health Care Task Force (HCTF) Update**

*Robert May, HCTF Chair*

**UPDATE:** Chair May updated the committee on several items of interest from the Task Force's June 8 meeting:

- i) Inquiries regarding the Early Retiree Reinsurance Program (ERRP) will be addressed below (see Item V.1.);
- ii) For long travel abroad, faculty not in a PPO program must switch into one; special provisions are available to allow such a change outside of Open Enrollment. Nonetheless, gap coverage is needed for when mere travel

insurance (emergencies and evacuations) is inadequate, as there is a significant difference between emergency care and urgent care.

**ACTION:** Analyst Feer will draft a letter of request for investigation of gap insurance for transmittal to HR;

- iii) Exploration of participation in a Medicare exchange continues. The largest obstacle could be change management.
- iv) HCTF will investigate a liaison with CUCEA.
- v) Possible changes to 2012 health and welfare coverage include: a) not subsidizing terminated employees' COBRA coverage for the month after their termination; b) changing the definition of part-time eligibility for full benefits coverage from 50% to 75%, which would impact approximately 20,000 employees and could save as much as \$30M/year.

**DISCUSSION:** Members asked if the number of half-time faculty was known, and what the external benefits coverage options were for this pool. Chair Dimsdale also reported that the savings estimate was not split between grant funding and 19900 funds. Members also wondered whether this change could disproportionately impact any particular subpopulation, such as women or parents. Members also noted that while some staff positions could be combined to reach a higher FTE percentage, doing so for faculty is nearly impossible.

**ACTION:** Analyst Feer will draft correspondence to HR requesting additional data on the population impacted by this proposed change;

c) what have become expected annual increases in the premiums;

- vi) HR will conduct a dependent enrollment audit, and an RFP has been developed to select an external vendor to conduct the study. Council Vice Chair Anderson will sit on the RFP evaluation committee. The only penalty to incorrect enrollment is de-enrollment, given the difficulty in establishing intent to defraud versus simple error.
- vii) The investigation into self-insuring continues; an update call will be scheduled for later in the month.
- viii) Researchers at UCSD have requested access to utilization data to help determine the impact of the HealthNet Blue and Gold insurance program this year.  
**ACTION:** UCFW will endorse the request and encourage HR to provide anonymized data.
- ix) Some retirees have "lost" funds expected to have been rolled over in their HRAs, apparently as part of the change to Lumenos.  
**ACTION:** UCFW will liaise between the concerned faculty and the relevant HR officers to facilitate resolution.

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

**NOTE:** Item deferred.

#### **V. Consultation with the Office of the President – Human Resources**

*Terri Flock, Senior Consultant*

- 1) ERRP Overview:

**UPDATE:** ERRP is a federal program enacted as part of the 2010 health care reform legislation. It is intended to incentivize employers to continue to offer health and welfare insurance coverage to early retirees. Participating employers can receive partial reimbursement from the federal government for premiums spent on this subpopulation, and the funds received must be used to off-set total employee insurance costs. UC's implementation plan is to use the funds to help off-set inflationary expenses over the next two to three years. Capitated plans can submit retroactive claims, and UC has already received its first reimbursement.

2) Insurance Abroad:

**UPDATE:** HR has already begun an investigation following the June 8 HCTF meeting.

**DISCUSSION:** Members reminded Ms. Flock of the committees' follow-up expectations for Item III above.

## **VI. Endowment Management and Other Revenue Bridging Strategies**

*Larry Pitts, Provost*

*Peter Taylor, Chief Financial Officer*

**ISSUE:** Provost Pitts framed the discussion with an overview of UC's current budget outlook: In July, the Regents will hear the proposed 5-year salary plan, hopefully in conjunction with a final 2011-12 budget proposal that includes approved state funds. The budget item will include contingent fee increases, should the state cut UC funding still further. The budget being prepared by the Office of the President reflects full funding for programs protected by the legislature and apportioned cuts to the campuses. The discussion item, a white paper outlining possible revenue bridging strategies, was developed by CFO Taylor's office to present both recurring and one-time options for mitigating the impact of state budget cuts.

**DISCUSSION:** The committee discussed the six options in sequence:

i) Transfer \$1B to TRIP

Members inquired whether this would impact funding the UCRP, and CFO Taylor answered no, both STIP and TRIP would retain sufficient liquidity to meet obligations. Members also asked how the harvested funds would be used, and CFO Taylor indicated that such determinations had yet to be made as this proposal is still in the planning phase.

ii) Increase Endowment Cost Recovery by 10 Basis Points

CFO Taylor noted that the Regents have already adopted this proposal. Members queried whether the change was to the principle or to the payout, and Provost Pitts replied that the change was to excess payouts only; recipients would not see any change. Members observed that a lower principal over time would inevitably lead to lower payouts, and asked whether the return projections had been adjusted accordingly. Members added that this change suggested a new on-going policy, not just a one-time response to financial exigency. It was suggested that TFIR monitor the implementation and impact of this change.

iii) Draw Down \$50M from Health & Welfare Reserve

Members wondered why the draw down would be applied to employer costs, not employee costs, and whether it would be applied equally to active

employees and retirees. Members also noted that health care cost increases are not a result of the current crisis, and that depleting this fund could harm the University and its employees by eliminating the ability to cushion severe spikes.

iv) Impose 2% Tax on Carry-Forwards

Members sought clarification as to which carry-forwards would be taxed. Provost Pitts indicated that grants would not be subject to this tax, and CFO Taylor added that the measure is designed to ease internal restrictions. Members noted, however, that carry-forwards are part of many departments' budget planning, and new taxes could have significant local consequences. Provost Pitts indicated that the tax revenues would be funneled back to campus general funds, so self-reimbursement could be a distribution option. Members suggested that clearer messaging was needed.

v) Distribute 3% Extraordinary Payout on Funds Functioning as Endowments (FFE's)

Members wondered how this effort would dovetail with separate calls for greater payroll reliance on external funding sources. CFO Taylor indicated that FFEs are internal sources without actual usage restrictions; only about half of UC's "endowments" were given with specific distribution protocols. The remainder are dedicated to broad categories, such as "scientific research", and flexibility in their administration is allowable. Members encouraged caution in proceeding with this plan: loss of confidence in philanthropic gift usage could be devastating.

vi) Distribute 1% Extraordinary Payout on True Endowments

CFO Taylor noted that this proposal was still in the earliest of planning stages. Members noted that taxing income is significantly different from taxing the investment, and voiced their concern that the two were conflated in the text.

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

*Susan Carlson, Vice Provost*

1) Salary Task Force Update:

**UPDATE:** Vice Provost Carlson reported that the Task Force had submitted two recommendations, should money be allocated for faculty salaries: The first, which is the Academic Senate's preference, would provide raises to the on-scale portion of salaries only, with off-scales receiving only the absolute value of the increase; the second is to apply the 3% to on-scale, off-scale, and above-scale, with a merit caveat.

**DISCUSSION:** Members renewed their objections to including "merit" in the decision-making calculus, emphasizing the peer review inherently addresses merit. Members asked whether the recommendations were out for review and subject to comment, and Chair Dimsdale reminded the committee that their direct participation in open session consultation this spring conveyed the committee's position. Members also asked how the barrier steps were being considered in the merit calculus, and suggested that more precise definitions for the implementation guidelines need to be developed in advance of roll-out. Finally, members sought clarification as to whether health sciences compensation plan members were

being included in the anticipated raises, and VP Carlson indicated yes, the appropriate portions of their salaries were scheduled to be augmented, too.

2) APM 700 Series (Leaves of Absence):

**ISSUE:** Members have reported differential implementation of this APM series, and seek clarification on when it must be followed: What is the time threshold for notification of absence; Is there a distance threshold; and Does the policy actually achieve its stated goal: to enable termination following job abandonment? Also, how can implementation be standardized?

**DISCUSSION:** Members noted that the requirement to have written confirmation from a medical provider may not be possible to fulfill given the nature of some psychiatric disorders which may lead to the appearance of job abandonment. Members suggested that APMs 335 and 337 which cover early termination might prove sufficient to address this question, and that job abandonment could be more carefully defined.

**ACTION:** Members should send additional specific concerns directly to Vice Provost Carlson.

3) APM 670 Revision:

**DISCUSSION:** Members noted that the suggested changes from the 2009 revision effort have not been included in the current draft: the philosophical underpinning of the program, the role of the advisory committee, the handling of split and joint appointments, passages governing salary notification and transparency, good standing, OPA, APU guidelines, and paid leave have all been diminished in profile and substance, contrary to the committee's previously articulated comments. Moreover, operational problems with implementation and institutional protections against caprice have not been addressed. The APM should make specific reference to relevant Senate bylaw grievance procedures.

Members also noted that the new draft again ignores non-Senate faculty, and skirts issues surrounding recall time limitations. Several passages could benefit from more precise language, including the severance pay provisions, X-, Y-, and Z-component relations to IRS guidelines, and the definitions of key concepts like good standing and workday.

**ACTION:** Analyst Feer will draft a summary memo of the critique for transmittal to the Office of Academic Personnel.

4) Health Sciences Salary Data:

*With Janet Lockwood, Manager, Academic Policy and Compensation*

**ISSUE:** The data are preliminary only and have not yet been verified. Yet the early findings are interesting: 52% of health science faculty are Senate members; 31% of all Senate faculty are health sciences faculty; and 40% of all faculty are health sciences faculty. About one-quarter of health sciences faculty are state supported. More refined data will be available soon.

**DISCUSSION:** Members asked if the data included affiliate-paid faculty, such as those paid by the Veteran's Administration. Ms. Lockwood indicated that the percentage of their FTE paid by their UC appointment was reflected in the data. Members encouraged Ms. Lockwood to share her findings with the HR office of compensation programs and strategy.

## **VIII. New Business and Further Discussion**

### *Members*

1) Working Smarter Initiative (WSI):

**ACTION:** The committee will submit its letter requesting greater Senate participation on the WSI project teams to the Academic Council requesting endorsement and forwarding to the administration.

2) Campus Updates:

Berkeley: The local emergency back-up care program will be expanded July 1.

CUCEA: CUCEA met jointly with CUCRA and submitted feedback on the Medicare exchange vendors.

Davis: none.

Irvine: none.

Los Angeles: Discussion on the proposed hotel and conference center continues.

Merced: Representative Malloy reported that the emergency back-up care planning group is moving ahead apace: they expect to select a vendor in August in time to include the benefit in this fall's Open Enrollment options for both faculty and staff. There was no new information from the campus.

Riverside: The proposed medical school was not accredited due to concerns about its long-term funding base. It is likely that the inaugural class may be delayed past the original fall 2012 date.

Revised MOP verbiage is still forthcoming, although individual appeals have been handled delicately and successfully.

San Diego: none.

San Francisco: The division's statement of support for recognizing same-sex marriages was circulated yesterday. Local efforts at revising implementation guidelines for APM 670 continue.

Santa Barbara: Course evaluations are being migrated to online, but the timing of the roll-out is problematic: four weeks before the end of term. Incentives for completion are also of concern.

**DISCUSSION:** Members reported similar timing concerns at their campuses, but noted that response quality was high, even if the response rate was low. Others inquired whether online responses were published, and departmental policies and practices vary.

**ACTION:** Analyst Feer will alert UCAP to this potential problem.

Santa Cruz: The local CFW is studying the impact of the previous multi-year salary plan.

3) Systemwide Review Item: Library Task Force Report and Recommendations

**NOTE:** Item deferred.

Meeting adjourned at 3:30 p.m.

Minutes prepared by Kenneth Feer, Senior Policy Analyst

Attest: Joel Dimsdale, UCFW Chair