UNIVERSITY OF CALIFORNIA ACADEMIC SENATE

UNIVERSITY COMMITTEE ON FACULTY WELFARE

Minutes of Meeting
November 12, 2010

I. Chair's Announcements

Joel Dimsdale, UCFW Chair

1. Academic Council of October 27: Chair Dimsdale reported that the salary scales recommendation co-authored by UCPB was forwarded to the Academic Assembly for consideration at their meeting of December 1. The Council also met with the campus executive vice chancellors to help foster greater collaboration and collegiality.

   DISCUSSION: Some members asked whether the Council had become too deliberative in its practices, or unfocused in its goals. The committee speculated that because each council member has a particular constituency by which they are held accountable, nearly everything could be considered "off limits." Further, some wondered whether newer Council members were still ascending the steep Council learning curve. Chair Dimsdale noted that UCFW communications should thus be the model of precision and concision.

II. Consent Calendar

1. DRAFT Minutes of Meeting of September 10, 2010
2. DRAFT Minutes of Meeting of October 8, 2010

ACTION: The consent calendar was approved as noticed.

III. Update: HCTF

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

IV. Consultation with the Office of the President: Human Resources and Benefits

1. Open Enrollment and Retiree Health

   Randy Scott, Executive Director, Talent Management and Staff Development
   Gary Schlimgen, Director, Pension and Retirement Programs
   Michael DeLeon, Deloitte Consulting

   ISSUE: Members asked why the Anthem Lumenos option was not available for new enrollees.

   DISCUSSION: Director Schlimgen indicated that although the Lumenos program is new, it is a replacement for the previous consumer-driven plan, CIGNA. The antecedent program also did not allow new enrollees, but only continuation. Members then asked whether retirees could remain in Lumenos once they transitioned onto Medicare, noting that statements had been made that the HRA would cover any premium gaps during the transition to Medicare. Director Schlimgen answered that although there was a small-N here, many options are still being investigated; viable options will be offered in the next Open Enrollment window.

Members also asked, given the continued increases in health care costs and the continued decreases in retiree health premium subsidies, how constituents could plan best for retirement, and what UC could do to aid them further. Executive Director Scott noted that the proposed decrease in the retiree health insurance premium was to be evaluated on an annual basis, thus making the projected 70% University contribution a potential floor, not a guarantee. CUCEA Chair Newbrun observed, however, that the posted Regents' item does not include language indicating annual review of the premium subsidy reduction.

Council Vice Chair Anderson asked whether the benefit valuations were calculated on the anticipated floor or on the current rates. Mr. DeLeon said that the projections can be made on assumed changes, and the data generated at the beginning of the new fiscal year will reflect the projections. He added that while this will decrease the retiree health UAAL and long-term amortization costs, it will not have any retroactive impacts.

Members also asked for a summary of the recent changes to how retiree health premiums were benchmarked. Director Schlimgen reported that previously, all retirees migrated to Pay Band 2, causing some to pay more in premiums and some to pay less upon retirement. Further, retiree health premiums were paid on a flat dollar basis, not a percentile. 2009 was the first part of a two-step process to align retiree health practices with actives': first, retirees were moved to the 87% subsidy, and then, this year, off Pay Band 2, to a retiree premium rate. The exception is a small group of non-coordinated 65+ retirees, but this group does not require new practices due to its inevitably shrinking population.

2. Appendix E and Restoration Benefits

Gary Schlimgen, Director, Pension and Retirement Programs

ISSUE: Director Schlimgen summarized each of the benefits under discussion: Appendix E, AKA 401(a)(17), and the 415(m) Restoration Plan; both are considered recruitment and retention issues. The 415(m) Restoration Plan impacts more faculty, due to their length of service: of 1000 projected employees who could become eligible, more than 750 are faculty. This provision "makes whole" those whose base salary exceeds the UCRP payout cap of $195K/yr by allowing eligible employees to contribute beyond typical IRS limits so that they can realize as much of their active salary as possible in retirement.

Appendix E is designed to extend the covered compensation limit for calculating benefits to $350K/yr, its pre-1994 level, from the current limit of $245K/yr; this would benefit highly compensated employees by allowing them to draw base pensions up to a maximum of $350K/yr. There are 202 active employees who could benefit from this provision, with 90 of them being faculty, mostly in the medical centers. This would increase the University's liability, as well as those affected, should the Regents implement it.

DISCUSSION: Members sought clarification on the funding sources for each option, noting that both seemed to be new expenses and that many departments had no discretionary funds. Others suggested that it was not the university's responsibility to see that the "haves" got more. Council Chair Simmons noted, however, that the 415(m) Restoration Plan is part of the status quo and that each participant made direct contributions. He added that implementing Appendix E was not part of the president's final recommendations, and that the Council-endorsed UCFW recommendation against implementing Appendix E is still the official Senate position (March 8, 2009).

3. Post-Employment Benefits: Campus Concerns
REPORT: Members noted various concerns from campus constituents, including:
   - Employees who would be vested in UCRP but not grandfathered into the better retiree health provisions,
   - Exacerbating class divisions, given the promise to develop a low-cost, low-benefit annuity option,
   - Erosion of quality due to high younger faculty turnover due to lack of competitive cash compensation,
   - Still uncapped employee contributions to remain in UCRP status quo ante,
   - Runaway health care inflation vis-à-vis decreasing insurance premium subsidies,
   - Lack of planning in contracts and grants offices for increased direct costs, and whether external funders will match the anticipated employer contribution rate of 20% of covered compensation in 5 years.

4. Sexual Harassment Prevention Training Update
Chris Simon, Director, Human Resources Compliance
ISSUE: These guidelines were last updated in 2006. The changes envisioned include establishing a higher standard of review before any violation could be found. For example, many discussions of world history or military politics can be chilling to many minority perspectives, but such should not be considered a violation of policy. Much language is offensive but protected; a violation would need to be severe and pervasive.
DISCUSSION: Members inquired as to whether group-targeting speech was indictable, suggesting that statements to the effect of "women are bad at math" constitute a separate, but no less debilitating, harm than statements or actions that target a single individual.

V. Divisional Concerns

Note: Item not addressed.

VI. Consultation with the Office of the President: Health Sciences and Services

John Stobo, Senior Vice President
ISSUE: SVP Stobo presented an overview of the Health Sciences and Services operation, highlighting general campus collaborations and the revenue generating capacity of the medical centers. He noted that the shared intellectual capacity with the health

professional schools in medicine, nursing, dentistry, pharmacy, optometry, public health, and veterinary medicine place UC at the forefront of medical research.

DISCUSSION: Members asked whether the medical centers could meet their portion of the expected 18-20% of covered compensation that will soon need to be paid into UCRP annually. Dr. Stobo said that, at current rates, the medical centers would need to contribute $700M annually, which would adversely affect the purchasing budgets and the ability to provide fund transfers to the general campuses. Further, because the medical centers do not receive any state general funds, any 19900 allocations to UCRP would not help the medical centers meet their obligations. The plan to borrow from STIP to help meet the unfunded liability and future Normal Cost, however, was welcomed by Dr. Stobo, who noted that without STIP funds, the impacts to the medical centers would be far worse. Members queried how much medical center operating capital could be repurposed from STIP, and Dr. Stobo indicated that he had not seen enough data yet to identify any particular amount. Members then asked how the 415(m) Restoration Plan and theoretical Appendix E implementation might impact the medical centers. Dr. Stobo answered that the 415(m) Restoration Plan has helped with recruitment and retention, but declined to speculate on possible impacts of Appendix E.

Members also asked whether the medical centers always negotiated as a single entity. Dr. Stobo indicated that yes, the medical centers have increased their alliances to leverage their scale for better commercial rates. He estimates that in his two year tenure, approximately $150M has been saved incrementally through this process alone. Nonetheless, more could be done as a system, especially as the discussions surrounding the provision of health care change from a limited consideration of cost to broader considerations of access and equity.

Members then asked why some medical centers were initially unwilling to join the Blue and Gold HealthNet insurance option. Dr. Stobo indicated that his office had increased efforts to work preemptively and more collaboratively with HR&B, and that once the medical centers aligned themselves, their participation was able to lower the overall cost increase to the University. Members pressed, however, wondering how the situation came so near to internal brinksmanship. Dr. Stobo reiterated his position that internal communications were improving, and he added that he was soon traveling to some of the most affected communities to help develop ideas to address local capacity concerns.

Members queried why DC plans kept arising in medical center discussions. Dr. Stobo replied that they first arose in discussions of how to help control the employer contribution rates and employer market comparability: 75% of nursing competitors have DC plans because of workforce mobility. The cost of any such plan to UC, however, has not been mocked up yet, but the topic may be reopened as required by market trends and recruitment outcomes. Members questioned the causation of health worker mobility trends.

Members asked what other market-driven changes the medical centers might undergo in order to remain competitive in the next decade. Dr. Stobo noted that the model of the university teaching hospital was under stress everywhere, and that in many cases, teaching hospitals are increasingly reluctant to share revenues. Members wondered whether a self-financed HMO might help alleviate some of the fiscal pressures. Dr. Stobo agreed that such an investigation should occur as UC is an anomaly by not offering a self-insured option, but he added that the ultimate arbiter should be quality of care, not cost, if it is comparable. Members reported that previous efforts were denied due to the then disproportionate administrative costs, and Dr. Stobo rejoined that medical infrastructure has improved greatly since the last proposal was discussed seriously. Members suggested, however, that unless UC medical centers were willing to place greater emphasis on preventative and primary care, an HMO of specialists only would be of limited utility. Dr. Stobo agreed, noting that the nature of primary care was already changing, and that future industry reforms may impact it further.

Members then asked how he felt the HSCP was faring. Dr. Stobo indicated that HSCP members, like those on the general campus, were still 10-15% below market in cash compensation, before increased contributions to UCRP are factored in. Members also asked what issues, if any, he foresaw with the APM 670 revision. Dr. Stobo said that his primary emphasis is on conflict of interest avoidance and transparent income reporting. Members wondered how the interests of non-Senate faculty were being presented. Dr. Stobo first noted that this is a significant question, as nearly 80% of medical center faculty are not Senate members, despite varying levels of involvement in curricular development and delivery and the conduction of top-level research. But based on the Senate report issued last spring, changing that ratio did not seem to be a high Senate priority. Members responded that Senate membership was afforded to those who actively work on all three aspect of UC's mission: service, teaching, and research; many medical center faculty are only active in 2 of the 3 areas.

Members lamented, and Dr. Stobo agreed, that applicants to the medical schools were being lost to competitors on the basis of financial aid: it costs a UC faculty person more to send his daughter to a UC medical school than to the Stanford medical school, and he will graduate with more debt after attending UC than Stanford. Dr. Stobo again concurred, noting that the issues in higher education and health care are the same: access, quality, and cost. Some suggested that part of the cause might be that while the medical centers have grown substantially, UC's capacity to provide medical education has not grown commensurately, the PRIME program notwithstanding.

Finally, Dr. Stobo reported that efforts to work with California's prisons to address health care issues had been slowed due to various political considerations. Nonetheless, the problem remains: California spends $43/day per inmate per day for health care. The next highest state rate is $13-14 in New York; Texas has lowered its cost to $8. The California prisons employ an order-of-magnitude greater number of nurses to care for roughly equivalent prison populations. Further, none of California's prisons are medically accredited.

VII. Consultation with the Office of the President: Academic Personnel

Susan Carlson, Vice Provost

1. APM 670 Management Review

   ISSUE: UCFW has been asked for preliminary feedback on the proposed revisions to APM 670 (HSCP). Known concerns include recall provisions, the role and composition of the advisory committee, the definition and determination of "good standing", and possible DC offshoots for Y and Z compensation.

   DISCUSSION: Members sought clarification on the OPA limits vis-à-vis Y and Z compensation, and others noted that the former is the ceiling for non-reported income while the latter is open to departmental regulation. Members also asked for more information on the supplemental life provision, learning that it was created to offset the absence of sick leave in the HSCP.

2. Upcoming items:
   a. Family Friendly Policies
      Note: Item not addressed.
   b. Phased Retirement
      ISSUE: There are no plans under development; this discussion is theoretical only.
      DISCUSSION: Chair Dimsdale posited that 50% FTE faculty positions should also be discussed at this level. Members raised concerns about adverse selection and possible limitations being placed on departmental flexibility, both in terms of recruitment and space usage. Other members recalled that previous phased retirement efforts were subsumed by VERIPs and wondered how phased retirement would mesh with the career incentives built into UCRP. Nonetheless, many felt that institutional help making a difficult decision and transitioning through it would be welcome.
      ACTION: Analyst Feer will share previous drafts of phased retirement proposals.

VIII. Update: TFIR

Helen Henry, TFIR Chair

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

ACTION: Chair Dimsdale and Analyst Feer will draft communications requesting that proposed STIP borrowing to help fund UCRP be done "to the maximum extent possible, given the liquidity needs of the University."

IX. New Business and Further Discussion

1. Budget Update
   Patrick Lenz, Vice President
   UPDATE: VP Lenz reported that the state has a $25.4B deficit for the remainder of FY 10-11, which will soon grow by an additional $6B due to sunseting taxes and the expiration of federal stimulus funds. The governor is expected to call a special legislative session in December, but budget work has been made more difficult by the passage of Propositions 24 (simple majority for budgets but 2/3 majority for fees) and 26 (anti-redirection). UC and the other higher education segments had fared comparatively well through previous negotiations, but we expect to be targeted this time.
   DISCUSSION: Members asked if any mid-year cuts would negatively impact capital projects. VP Lenz indicated no, noting that capital projects are subject to multi-year finance plans and the state is inherently conservative with capital projects planning. Nonetheless, debt service is an increasing share of the state budget. Members also inquired after UCRP funding, and VP Lenz reported that

the anti-funding rider had been removed, but that no moneys had been specifically allocated yet.

Meeting adjourned at 3:30 p.m.

Minutes prepared by Kenneth Feer, Senior Policy Analyst
Attest: Joel Dimsdale, UCFW Chair