UNIVERSITY COMMITTEE ON FACULTY WELFARE

Minutes of Meeting
October 14, 2016

I. Chair's Announcements

Lori Lubin, UCFW Chair

Update: After welcoming new and returning members, Chair Lubin led a round of introductions among the committee members. Chair Lubin then reported on several items of interest from the Academic Council meeting of September 28, 2016: 1) The Regents have begun another round of discussions on UC's debt capacity and campus structural deficits. There is concern in some quarters that this discussion could lead some to conclude that lowering the UCRP discount rate could improve the University's credit rating, even though debt capacity and UCRP liabilities are not directly related. 2) The discussion of the proposed revisions to Senate Bylaw 182 (University Committee on International Education) and the related proposed Presidential Policy on International Activities should focus on oversight and permissions, rather than operations and practices. 3) A possible change to the University policy governing honorary degrees may be put forth by some chancellors. 4) Additional changes to the APM sections governing sexual violence and sexual harassment have been sent for review. 5) Proposed changes to the Lecturer with Security of Employment (LSOE) policies are being finalized for review. 6) There have several changes in leadership at UCOP, including the appointment of new Vice Presidents for the Office of Research and Graduate Studies and the new office of Innovation and Entrepreneurship, among others. 7) The University Committee on Affirmative Action, Diversity, and Equity (UCAADE) has proposed greater cross-campus collaboration to monitor and improve salary equity. More robust longitudinal data are needed. 8) Recent changes to the Regents' Health Services Committee and the newly updated UC Health strategic plan raise concerns regarding shared governance. 9) Clinical faculty morale and attrition have again risen to the fore. The cultural differences between academic expectations and hospital administrator practices have been suggested as one possible source of on-going angst.

II. Consent Calendar

None.

III. Consultation with Academic Senate Leadership

Jim Chalfant, Academic Council Chair

Update: Chair Chalfant updated the committee on several items of interest:

1. September Regents: 1) The Regents have revised their bylaws, and Senate delegations, including shared governance, were moved from the Standing Orders into the Bylaws. 2) The Regents continue to discuss how to respond to the decline in state investment, especially given the prohibitions and limits on tuition increases and the pending limit on non-resident enrollments. More campuses have projected structural budget deficits. 3) The Investments Committee continues its deliberations on the UCRP discount rate and how debt capacity influences the University's credit rating. 4) The Regents seek greater

alignment with California's other higher education segments to facilitate further transfers.

2. Clinical Affairs Concerns: The Regents committee on UC Health now includes a faculty representative, former UCFW chair Joel Dimsdale (UCSD), who has clinical expertise as well as a long history of Senate service. The Senate representative was nominated by the Academic Council and approved by President Napolitano, but in an unintended consequence, clinicians could now exercise a direct line of communication with the Regents – a violation of Senate protocol, among other concerns. The Council is considering establishing a task force on the model of TFIR and HCTF for clinical affairs, but it would report to the Academic Council not a standing committee. In addition to addressing long-standing concerns with clinician morale and pay practices, the new task force would work to infuse the academic and research point-of-view to health care discussions.
   Discussion: Members asked how the task force would inform Regental discussions and decision-making. Chair Chalfant indicated that the Regents committee is not charged to consider research and academic, but rather strategic networks and financial risks.
3. Miscellaneous: 1) The Negotiated Salary Trial Program is ending and the findings will come to the Senate for review. The evaluation group includes Senate representatives Don Senear (former chair of UCPB) and Mary Gauvain (former chair of the UCR division). 2) UC handling of email and cyber-risk has improved since last year. Internal communications have improved, and better technology is being used. A formal policy will soon come for review. 3) Changes to the governing documents for Lecturers with Security of Employment (LSOEs) will soon come for management review. The goal is to elevate lecturers to professors, but concerns remain regarding the proposed title Professor of Teaching X. 4) The Special Committee on Faculty Discipline recommended changes to Senate Regulation 336 (see Item X below), but now conforming amendments to SR 335 are required. 5) Proposed changes to the professional degree supplemental tuition (PDST) policy will soon come for Senate review. 6) BOARS is working to answer state questions about UC's "compare favorably" admission standard for non-residents. BOARS is also working to evaluate possible changes to the letter of recommendation practices following a pilot at UCB. 7) UCOP is being audited by the state to determine if/where overlaps with campus functions exist. 8) Possible changes to the honorary degree policy have been deferred as existing recognitions are being reevaluated. 9) Greater alignment between UC, CSU, and CCC general education requirements may be sought.

IV. Consultation with the Office of the President – CFO Division, Mortgage Origination Program (MOP)

Ruth Assily, Director, Office of Loan Programs

Update: At their November meeting, the Regents will consider several changes to MOP; action would then occur at the January meeting for implementation on February 1. The proposals include: 1) An interest-only supplemental home loan program (SHLP) product would be offered. This had been discontinued previously, but new regulations make it viable again. Five, 7, and 10- (+30) year options will be available; a 40-year plan would require chancellorial approval. Longer amortizations are offered to smooth payback still further. 2) New MOP loans would see their floor interest rate reduced from 3% to 2.75%. 3) The maximum MOP amount would change to $1.43M; this is an indexed value and will probably increase in the spring. Also, the approval process will change to match the new governance structure. 4) The President would delegate to the chancellors authority to approve non-standard terms, such as graduated payments and fixed interest. 5) 40-year loans will require approval by a chancellor, in recognition of the risk of litigation. UCOP would still cover any cash losses. 6) The centrally funded SHLP would increase to $75K to assist with down payments; interest and repayment guidelines will also be revised to align with other programs. 7) Bridge financing would be eliminated.

V. Update: Health Care Task Force

Robert May, HCTF Chair

1. Domestic Partner Equity: For UC-registered domestic partnerships, a discrepancy in the requirements for enrollment in health and welfare benefits has been discovered between opposite-sex and same-sex pairs. There is an age requirement for opposite-sex domestic partners to be eligible to enroll in H&W benefits, but no age requirement for survivor benefits. This discrepancy is not widely known and confusing to explain to impacted employees. Another policy clarification is required for the beginning of the 31-day period of initial eligibility (PIE) to enroll in benefits after the commencement of a UC-registered domestic partnership: the partnership could have begun long before UC recognition, so HCTF suggests changing language to indicate that the clock starts upon recognition by UC, not 31-days from the earliest date in submitted documents. Costing data is being developed by Human Resources, and any changes to the retirement program would have to be approved by the Regents.
2. Open Enrollment: 1) Rate increases for most plans are minimal this year. 2) Following last year's rebid, UC Care is changing its third-party administrator (TPA) from Anthem to Blue Shield as of January 1, including its mental and behavioral networks. UC Care pharmacy is being switched to OptumRx. Disruption should be minimal, and a new online interface, Castlight, is intended to help members track their out-of-pocket expenditures and other health data. 3) New disability plans are being offered starting January 1. Faculty probably do not need the short-term policy because of salary continuance, but faculty should consider carefully enrolling in the long-term plan. Disability is open to all employees this year due to the significant change in plan parameters.
3. UCOP Healthcare Oversight: A new administrative structure at UCOP is being developed. A proposed executive committee, composed of the EVPs of Operations, Finance, and Health, will make strategic decisions. A proposed operations committee, composed of UC Care and Human Resources leaders, would make day-to-day decisions. Senate involvement has been promised.
4. Miscellaneous: 1) The Blue & Gold HMO plan will not be re-bid until 2019 due to the successful cost-sharing arrangement inked with HealthNet. 2) Some providers in approved networks impose religious restrictions on the provision of care that could be

problematic for women's health, end of life, and gender confirmation procedures. The lack of a referral obligation underscores the need for attentiveness in this area.

VI. Update: Task Force on Investment and Retirement

Bob Anderson, TFIR Chair

Update: TFIR is meeting with the Office of the Chief Investment Officer (OCIO) to discuss the discount rate and the benefits of active versus passive management of University assets. For publicly traded equities, the literature is supportive of moving to passive management. Changes to the discount rate are more complex. Most private sector plans do not include future salary growth in their actuarial assumptions. Since public sector plans, including UC, take future salary growth into account in determining the plan liability, their actuarial calculations are more conservative in this respect than those of private sector plans. This conservative calculation offsets to a substantial degree the fact that public sector plans use a higher discount rate than private sector plans.

Changes to the funds menu management fee structure have raised concerns in some corners, but overall, fees to UC members are comparable to the external market.

Fossil fuel divestment is still percolating on the campuses. The Senate would be well-served to generate a statement of principle.

Discussion: Members asked if additional internal borrowing was planned for UCRP, and Chair Anderson noted that the market returns are flat this year, but the liability still grew due to UC's amortization policy. The campuses stated their intent not to pay more than 14% of payroll into UCRP, so subsequent borrowing is in question. Competing priorities for major financing are often cited as limits to internal increases in UCRP funding. TFIR has encouraged UCOP to generate confidence intervals to help improve projections.

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

Dwaine Duckett, Vice President
Mike Baptista, Executive Director, Benefits Programs and Strategy
Gary Schlimgen, Executive Director, Retirement Programs and Services
Kris Lange, Director, Benefit Vendor Management

1. <u>Health Care Facilitator Funding</u>: VP Duckett reported than a funding increase for the program is unlikely at present. The group is convening more regularly to share concerns and best practices. The generation of data could be a factor leading to a future funding increase. Persistent concerns involve reporting lines and finding time for record-keeping/data generation.

   Discussion: Members noted that better advertising of the program is still needed at many locations; for example, the program was not mentioned in the Open Enrollment book for active employees. Mr. Baptista noted that campus HR benefits offices are tasked to assist with open enrollment; the facilitators only get involved after enrollment.
2. <u>Domestic Partner Equity</u>: HR and Communications have updated online and print resources to clarify the eligibility requirements for different couples and the various benefits programs. Known domestic partners have been contacted.

The cost of equalization is still being investigated. Changing state and federal laws complicate the calculations, but the current estimate is approximately $21M/year across all funding sources. It is estimated that 4% of the employee population will add a domestic partner, and 40% of those will add children; there is no data yet on opposite-sex domestic partners. Six of the Comparison 8 institutions offer benefits to both opposite-sex and same-sex domestic partners, but there is no utilization data.

3. Pension Elections in the 2016 Tier: Preliminary data were shared with UCFW. The data are through Sept 30 only, and reflect decisions made by new hires of July 1 forward. About 60% defaulted into the DB plan, which is similar to the experience at competitors. The faculty pool includes agronomists and lectures and the like. New hires can receive guidance from Fidelity, who has dedicated UC counselors. The counselors are supposed to be neutral, and service level standards are closely monitored.
   Discussion: Members asked if the lack of a staff supplement program had influenced elections, but the preliminary data suggest not. Members asked if there was a time-frame for the IRS prior ruling letter, but there is not, although approval is expected.
4. Employment Verification Services: Use of third party vendors in this area is not new to UC. Past employment is being verified by UC; current employment at UC is verified at UC Path, though they still use market software.

VIII. Consultation with the Office of the President – Academic Personnel and Programs

Janet Lockwood, Director, Academic Policy and Compensation

1. Upcoming Reviews: Director Lockwood circulated a list of in-progress and upcoming reviews. Next up are proposed revisions to the LSOE program. Reconsideration of the "active service, modified duty" section and possible equalization of "stop the clock" practices at quarter campuses are pending background reviews to guide possible revisions.
2. Salary Strategies: Members lamented the decoupling of steps and salaries. A working group from last spring has not been reconvened. Limiting raises to 3%, and being asked to split that 3%, will not hold UC in good stead.
3. Exit Survey Next Steps: Academic Personnel would like to see the survey continue, but campus funds and commitment are needed to continue the partnership with COACHE. COACHE will expand the pilot, so additional normative data will be available in the future. Individual campus reports are being generated.
4. Health Sciences Climate Survey: In the face of persistent retention and morale concerns, some have called for a health sciences climate survey. The previous systemwide climate survey gave short-shrift to the health sciences and medical centers. Expanding the exit survey to the medical centers could help, too. The design and funding of such a survey could be difficult to arrange.

IX. Consultation with the Office of the Chief Investment Officer

Jagdeep Bachher, Chief Investment Officer

1. Discount Rate: Current discussions are focusing on inflation assumptions. A 3% assumption is viable for 20-30 year projections, but problematic for 2-5 year

assumptions. Determining the appropriate horizon for projections is a separate question.

Discussion: Members noted that lower inflation assumptions nearly off-set lower market gains.

2. Active versus Passive Management: At present, UC has 50% of its assets in public equity funds, and 60% of that has been given to third party managers. Long-term analysis shows little value added over passive management. Determining the proper allocations in the current environment is the next challenge. If UC moves to 20-30% in public equities, the reallocation process could carry hidden costs. For the funds being actively managed externally, UC has reduced the number of managers from 80 to 24 in recent years. If UC limited public equity to 20-30% of assets, the resulting savings in management fees could total as high as $50M/year.

X. Systemwide Review Items

1. Proposed Revisions to APM 190.G (Summer Salary)
   Discussion: The changes are technical and straightforward and reflect emendations necessary for implementing the 2016 pension tier, among other regulatory changes.
   Action: The committee elected not to opine on this item.
2. Proposed Presidential Policy on International Activities
   Discussion: Members noted the lack of time lines for submission and review.
   Action: Analyst Feer will draft the committee response.
3. Proposed Revisions to APMs 015, 016 and SR 336:
   Discussion: Members noted that some of the language which was not revised might be usefully clarified. The role of campus police, and the differences between investigation and adjudication, might be expanded.
   Action: Analyst Feer will draft the committee response.
4. Proposed Revisions to SBL 182 (UCIE)
   Item deferred.

XI. Campus Updates

Item deferred.

XII. New Business

Item deferred.

Adjournment at 3:36 p.m.

Minutes prepared by Kenneth Feer, Principal Analyst
Attest: Lori Lubin, UCFW Chair

Attendance:
Lori Lubin, UCFW Chair
Roberta Rehn, UCFW Vice Chair
Caroline Kane, UCB (phone)

Mike Hill, UCD
Jean-Daniel Saphores, UCI
Areti Tillou, UCLA
Sean Malloy, UCM
Victor Lippitt, UCR
Gedeon Deak, UCSD
Margot Kushel, UCSF
Stan Awramik, UCSB
Stefano Profumo, UCSC
Robert May, HCTF Chair
Bob Anderson, TFIR Chair
Dick Attiyeh, CUCEA Chair
David Brownstone, UCRS Advisory Board Faculty Representative