

UNIVERSITY COMMITTEE ON FACULTY WELFARE

**Minutes of Meeting
April 14, 2017****I. Announcements**

Lori Lubin, UCFW Chair

1. Academic Council of March 22, 2017

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

- Robert May, chair of our HCTF, will serve as the incoming Council Vice Chair next year and then chair in 18-19. A new HCTF chair will be appointed.
- Changes to the PDST policy were approved in hopes of realizing greater accountability.
- This year's salary increase will be administered in the same fashion as last year. A sub-group of Council members is drafting a memo to the President outlining the need for a strategic plan to address salary issues.
- The Regents have deferred action on the non-resident enrollment policy to May. A compromise position with the legislature is still being sought.
- UCOP is pressing for capital bonds to help address deferred maintenance and meet new housing and classroom needs.
- Regent Perez visited with the Council, and he encouraged faculty to better articulate the value of the research mission. Oftentimes, campus voices are more persuasive to legislators. Alumni contact with legislators could also be a useful voice.

2. HCTF Meeting of March 24, 2017

Update: Chair Lubin reported on several items of interest:

- UCSB and UCLA are exploring an MOU that would create a primary care facility on the UCSB campus staffed by UCLA medical center employees. The process is still in its early stages.
- The Blue & Gold insurance program will be re-bid for 2019. It has been several years since the plan was re-bid, and the current administrator was recently bought by an out-of-state company. HCTF will have a representative on the re-bid review committee.
- The Western Health Alliance insurance plan is running a deficit and may end its contract with UC. Discussions are on-going.
- Increasingly tightening budgets may lead to a re-evaluation of UC's risk adjustment practice.
- UC Care's pledge to limit employer-paid premium increases to 5% annually is forcing a cost shift to consumers or to the dwindling medical center margins. A longer-term solution is being sought.
- The fate of federal health care legislation remains unclear. A shift to block grants would further strain medical center budgets.
- Dependent enrollments in insurance plans will be audited again. The process should be simpler than previously, and adequate lead-time for communications is being planned.
- There are four recruitments open for campus health care facilitators. The campuses are leading the searches, but UCOP needs to set minimum standards.
- OptumRx transition issues have still not been fully resolved. UC Care has requested monthly reporting.

- Changes to retiree health funding may be coming. The unfunded liability must be lowered, per UCOP, and strategies to achieve that goal are being investigated. Prefunding may be an option since state programs are moving in that direction.
3. TFIR Meeting of March 17, 2017
Update: Chair Lubin reported on several items of interest:
 - More changes to fund menu will be made this fall. TFIR is reviewing the changes and communications with UCOP and will keep UCFW informed.
 - UCRP funding is expected to be augmented again by borrowing from STIP. Nonetheless, new concerns have arisen about the discount rate used to calculate the unfunded liability. Political sensitivities require a considered response.
 - Revised asset allocations that move UC away from managed funds will be proposed to the Regents.
 - TFIR is reviewing Fidelity's online tools designed to help with retirement readiness.
 - Whether hires in the 2016 tier could change pension elections in less than five years if they get hired into a new series is being investigated.
 4. UCAADE Meeting of April 13, 2017
Update: Chair Lubin attended yesterday's meeting of the University Committee on Affirmative Action, Diversity, and Equity for their discussion on free speech versus hate speech on campuses. Most agreed that student groups should coordinate with local campus resources, including general counsel. Many voiced concerns about false equivalency arguments, and tried to delineate between respectful discourse and threats. How best to handle competing peaceful events also needs to be more clearly outlined.

II. Consent Calendar

Note: Item deferred.

III. Systemwide Review Items

1. Proposed Revisions to APM 285, 210-3, 133 and 740 (LSOEs)
Discussion: Whether the proposal directs research is unclear given current verbiage. Specifying a cap on hires in this position could disadvantage some departments in short-term. If Senate voting rights are being extended, they should match the voting rights of current Senate members.
Action: The committee will resume this discussion next month.
2. Proposed Revisions to Senate Bylaw 336 (P&T Hearings)
Note: Item deferred to May.
3. Proposed Presidential Policy on Export Controls
Action: UC Davis Representative Hill will serve as lead reviewer for this item.

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

Susan Carlson, Vice Provost

Janet Lockwood, Director, Academic Policy and Compensation

1. Upcoming Reviews
Update: Review of the modified duty/active service policy is on tap for 17-18.
2. Salary Strategies
Discussion: Vice Provost Carlson reminded members that President Napolitano has been consistent with her administration plan for the 3% increase. Members noted that some individuals could receive less than 1.5% because of the guidelines; even the full 3% is not

enough to tread water. Members noted that previously, some campuses were able to tweak their allocations, and VP Carlson noted they had submitted justifications for their changes. Members noted that equity concerns cannot be solved in this piecemeal approach. VP Carlson indicated that inversion and compression were to be the foci of this year's discretionary 1.5%. Members suggested that real wages should not fall, and perhaps that could be a new minimum level of pay increase. Confusion in many quarters regarding the merit system exacerbates the problem of closing the pay gap. VP Carlson added that this year's instructions include an option for smoothing to help ensure that each step grows in total, not just in proportion. Nevertheless, members noted that market rates far exceed the scales. Members asked if the 3% plan was affiliated with any specific budget compact, but VP Carlson could only indicate that it is expected to continue.

3. Graduate Student Mentoring

Issue: Graduate departments are being asked about the quality of mentoring in two-way evaluations. Not every faculty person is naturally a good mentor; training and best practices are needed, and a UCD model is being vetted. ORGS VP Ellis will discuss this further with the Academic Council.

4. Department of Labor Overtime Rules

Issue: There is no new Secretary of Labor yet, but the new administration is expected to relax the rules, but not to roll them back fully. At present, UC continues to plan on implementation beginning July 1.

V. Safety in the Academic Environment

Sean Malloy, UCM Representative

Jean-Daniel Saphores, UCI Representative

Issue: Broad concerns about immigration surveillance, protest response, researcher safety, gun violence, and MOUs with external policing agencies necessitate a broad review of UC's police philosophy and posture. Systemwide best practices are needed, and advisory board models from Berkeley and Davis can be adapted on other campuses or even for a systemwide body. Some competitor universities have stipulated daily police reporting, complete with demographic information, and some state that public safety, not policing, is their primary objective.

Five recommendations are offered at this time: 1) to embrace a new philosophy that emphasizes public safety; 2) to increase transparency and trust through independent public advisory boards which will provide a safe space to provide feedback, a public venue to gather, analyze, and disseminate data, and a forum to discuss policies; 3) to reflect community make-up on the public advisory boards; 4) to require implicit bias training and regular refreshers; and 5) to create a systemwide structure for sharing of best practices and overall policy guidance.

Discussion: Members noted that it is essential to get police department buy-in, as well as support from campus community groups and stakeholders, at the out-set of the process. Some suggested that the Senate should volunteer to lead these efforts given its deftness at handling tricky topics.

Action: The draft white paper will be revised to include minimum systemwide standards and a time line for action.

Action: Members will invite campus chiefs to meet with local CFWs.

VI. Consultation with Academic Senate Leadership

Jim Chalfant, Academic Council Chair

Update: Chair Chalfant reported to the committee on several items of interest:

- The proposal to equalize domestic partner benefits is still pending with the administration.

- The new PDST policy requires demonstrations of improved diversity metrics before further increases will be approved.
- Provost Dorr is retiring at the end of June. Chair Chalfant will serve on the search committee for her replacement.
- The non-resident enrollment policy is still in flux.
- New proposed state legislation would require greater compare favorably reporting lest UC lose funding. Other proposed legislation would grant students whistleblower protections to students who record classroom activities. UC's response to these proposals is still being crafted.
- Additional changes to the target date funds program are likely to come in the fall. TFIR will monitor developments.
- The Senate nominee to the re-bid review team for the Blue & Gold insurance plan was approved. HCTF will continue to monitor events.
- The new systemwide Title IX officer visited with Council, and UCFW is encouraged to invite her for a consultation on her goals and how they can be facilitated.
- A workshop for the 2040 Framework project will occur next week. The Senate will press for consistency across submissions.
- The California Community Colleges have proposed development of a transfer degree to help out-reach to underrepresented minorities and to encourage enrollment in STEM fields.

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

Mike Baptista, Executive Director, Benefits Programs and Strategy

Kris Lange, Director, Vendor Relations Management

1. Optum Rx Transition Issues

Issue: HR and UC Care are reviewing reports on mishandled transactions. More information will be available next month. New issues should be forwarded to HR for resolution.

Discussion: Members asked what the Optum contract service level standards were, and Mr. Baptista indicated industry standards are also being investigated.

2. Retirement Choice Program new-hire election process

With Wendy Welsh, Employee Communications Specialist

Issue: Ms. Welsh reported that the revised decision guide had been submitted to the printers. The new text emphasizes making a quick choice in each section, and in call-out boxes, noting the accumulation of service and credit and compounding interest on UC contributions are extremely valuable. Online materials are being similarly revised. UC's default rates match those of our competitors.

3. Minimum Required Distributions

Issue: Mr. Baptista noted that IRS regulations require minimum distributions from pensions once a member reaches age 70.5. The penalty to the employee for non-compliance is 50%. Compliance with the regulations is automated; individuals should not need to take action. Recall does not lead to deferral of MRDs.

Discussion: Members asked about disbursement of funds not managed by Fidelity. Director Lange indicated that Fidelity could estimate the MRD; there is a fact sheet online. If an individual is still active (and has not retired) at 70.5, the MRD can be deferred. Once MRDs begin, they cannot be stopped.

VIII. Consultation with the Office of the President – Chief Financial Officer

Nathan Brostrom, CFO

1. UCRP Funding Status

Issue: CFO Brostrom noted that to date, UCRP has borrowed \$3.3B, \$2.4B from STIP and \$900M from external sources. In all, UCRP's funding ratio has increased 6% as a result of this borrowing, and current plans are to continue the practices while being mindful of certain constraints. One such is UC's liquidity and working capital reserves. TRIP generates higher yields, so more funds will be put into that vehicle. STIP total balance varies from \$5-8B, but includes other funds; the \$5B floor is part of a loose agreement with UC's ratings agencies. Over the next four years, an additional \$2.7B can be borrowed without increasing the employer contribution. Discussions with the state about using Prop 2 funds to meet annual contribution requirements are continuing.

Discussion: Members asked how high the employer contribution could be increased, and CFO Brostrom indicated that only 1-2% more could be expected. A 1% increase would off-set \$500M in borrowing; UC has the choice of paying now or paying the amortized rate. Members asked if the discount rate was changing, and CFO Brostrom indicated it was still at 7.5%, but a new experience study could re-open analysis.

2. Retire Health Prefunding

Issue: CFO Brostrom noted that discussions of prefunding continue, driven by changes to GASB regulations that now stipulate UC must report all of its liabilities in the ledger. At present, prefunding is unlikely. Yearly payments could increase from 3% to 5% without impact to UC operations.

3. Capital Bonds

Issue: A new bond issue will be made in two weeks. Approximately \$500M in new funds is expected.

IX. Consultation with the Office of the President – OCIO, OGC, and HR

Luis Blanco, Senior Counsel, Benefits, OGC

Arthur Guimaraes, Associate Chief Investment Officer

Marco Merz, Director, DC Programs, OCIO

Kris Lange, Director, Benefits Vendor Management, HR

Gary Schlimgen, Executive Director, Pension and Retirement Programs, HR

1. Fend Menu Change Communications

Issue: Chair Lubin reminded members of the previous fund menu changes that occurred in 2015: Members were notified that if they took no action, their holdings would be deposited into pathway funds. Not all impacted individuals took action, and they claim not to have received the notification of change. As a result, they seek recompense for allegedly lost investment income. Enhanced communications have been requested for the upcoming change to avoid similar dissatisfaction.

Mr. Merz reminded members that the 2015 changes had three goals: 1) to make the menu options easier to understand for non-professionals; 2) to offer the most cost effective and cost efficient options; and 3) to reduce the number of options to a more easily trackable total – the options were decreased from 64 to 15, plus the target date funds. In 2013, there were 200+ options. Most competitors have 15-20 options. Industry best practice is to default into target date funds; 80% of plans do so. For UC, the next logical step to default the eliminated fund holdings into the target date plans, unless the member affirmatively directs funds to a different plan. The brokerage window will remain available to interested employees, on a fee-based model.

Ms. Lange recalled the 2015 communications plan: approximately 50K out of 300K+ UCRP participants were impacted. Communications were vetted by several stakeholder groups, including TFIR, UCRS Advisory Board, and UCFW. Newsletter articles ran throughout the spring,

and in April, all impacted employees received a direct mailer with a decision guide and a personalized, itemized statement; the mailer also outlined next steps if the employee did not want his funds defaulted. An email (if on file) or postcard reminder was sent in May, and a second reminder in June. In July, a third message was sent to those whose funds were defaulted. Additionally, a road-show workshop with retirement planners was available, both in person and online. One-on-ones were also available with local retirement planners, and an 800 number was set up. In the end, 84% were defaulted, which tracks closely with industry experience.

Discussion: Members asked how communications were directed to those with multiple emails on file, and Ms. Lange indicated that only the information on file with Fidelity was used. Members also asked what type of complaints/feedback were received during the 2015 transition run-up. Ms. Lange noted that feedback was sparse, but what there was, was intense. Members asked if the total value of assets before and after “defaulting” had been calculated, and Mr. Merz indicated that such a calculation was not possible. Still, target date funds are “safe harbor” plans, even though UC is not ERISA-covered.

Members asked if choices would be still further limited in the future, adding that the brokerage window is difficult to use at times and of course, fee-based. It was observed that the right amount of choice continues to fluctuate and that there is no one-size-fits-all solution because not all employees are equally savvy regarding the market. Members wondered if a six-month lead time might then not be more appropriate, and speculated what might have happened to professors on sabbatical during the spring of 2015.

Mr. Merz added that subsequent changes being considered are largely cosmetic and would be intended to more accurately reflect the contents of the plans. Other changes would be behind-the-scenes and not noticeable by employees.

X. New Business

1. HSCP Track Assignments

Issue: Under HSCP guidelines, Professors In-residence and Professors of Clinical X must be 100% time to be tenure-track eligible. This standard is difficult to meet for some populations, notably young mothers. However, that someone is only 90-95% time, does not mean that work less; they just cannot make 100% time because they choose to take one afternoon off a week to spend with their children. HSCP guidelines also allow exceptions to the 100% rule if no conflict of commitment can be demonstrated, but this loophole is not commonly used.

Action: Members will investigate how wide-spread this situation is and report back next month.

2. Travel Ban Impacts

Issue: UC statements about the value added by immigrants to research and academic outcomes have not been supported by data. Better messaging is needed.

Adjournment: 3:25 p.m.

Minutes prepared by Kenneth Feer, Principal Analyst

Attest: Lori Lubin, UCFW Chair

Attendance:

Lori Lubin, UCFW Chair

Roberta Rehm, UCFW Vice Chair

Caroline Kane, UCB

Michael Hill, UCD (phone)
Jean-Daniel Saphores, UCI
Jean-Francoise Blanchette, UCLA Alternate
Sean Malloy, UCM (phone)
Victor Lippit, UCR
Gedeon Deak, UCSD
Margot Kushel, UCSF
Stan Awramik, UCSB
Stefano Profumo, UCSC
Dick Attiyeh, CUCEA Chair