

UNIVERSITY COMMITTEE ON FACULTY WELFARE

Approved Minutes of the Meeting

January 21, 2005

I. Executive Session**II. Chair's Announcements****John Oakley, UCFW Chair**

Chair Oakley welcomed newly appointed campus representatives Henry Forman from UC Merced and Paul Ortiz from UC Santa Cruz. He noted that the UCSB representative, Doug Morgan, would join the meeting by phone.

Chair's announcements:

- Agenda items for February's meeting will include reports from campus representatives on how the UCFW Parking Principles are being implemented on their campuses. One of the Senate's major concerns is that the revenue generated from the sale of parking privileges be used to fund parking programs and not be diverted to other programs. UCSF Representative, Bob Newcomer, will lead an in-depth discussion on faculty compensation, including the health sciences compensation plan. The committee will also be asked to review a proposed fee policy on excess units.
- It is the practice of the university to replenish the funds in the Mortgage Origination Program, which are used to assist faculty in buying homes, by bundling existing loans and selling them to third-party financial institutions. The Office of Business and Finance is currently in the process of undertaking such a transaction and the best offer received, by a significant margin, has come from a California credit union, which will require that the mortgagors open an account for \$5. Although the University is willing to pay this fee for each of the mortgagors, there was some question as to whether this action should be taken without their knowledge and/or consent. The Academic Council Chair asked the UCFW Chair to consult with Senior Vice President-Business and Finance on this matter, which has resulted in a draft E-letter that would be sent to the affected mortgagors advising them of the university's plan and giving them the opportunity to opt out of the program.

Action: There was a request from one member that this issue be discussed further with Sr. Vice President-Business & Finance when he joins the meeting.

- Chair acknowledged at-large member Dan Mitchell for the information that he has been providing UCFW and the OP senior administration on the reforms to the public pension plans proposed by the governor. This issue will be discussed later in the meeting.
- Chair distributed the following two handouts: 1) draft agenda for UCFW's Health Care Task Force scheduled for January 31; and, 2) a report from the Chronicle of Higher Education titled, "The Health-Care Tussle."

III. Consent Calendar:

- 1) **Action:** The November 15, 2004 minutes were approved as amended.
- 2) **Action:** UCFW approved the 1/19/05 Statement of Core Values and Standards of Business Conduct in concept. Chair will work with the UC Auditor and General Counsel on reviewing and/or refining the revisions that were proposed by The Regents' Audit

Committee to ensure that the policy intersects well with existing UC policy and does not have implications that it suspends or amends the Faculty Code of Conduct.

IV. Critical Evaluation of Dental Coverage for UC Employees

Mark Esteban, Director-Health & Welfare Program Design

Michele French, Executive Director-HR&B Policy and Program Design

Issue: This issue originated from concerns expressed by some San Diego faculty about current Delta Dental Insurance practices.

Overview: Director Esteban distributed a handout on UC's 2005 Dental Program. The Delta Dental Plan is the largest dental plan offered by the university with an enrollment of about 344,000 employees. It is a fee for service plan and was last bid in 1997. At that time, HR&B took a critical look at the plan design in terms of whether it met the clinical needs of the patients and decided to drop one of the two oral exams per year feature, which resulted in significant savings for the university. 92% of California's dentists are in the Delta Network. UC also offers PMI, which is another dental network. About 7% of UC's employees are enrolled in this plan. It is a pre-paid dental plan. UC does not require employee contributions for either of its dental plans.

Discussion: Issues raised during the discussion were:

- The dental plans are not keeping up with new technologies that are available, such as dental implants.
- UC should ascertain whether employees want better dental coverage and whether they are willing to pay for it. It might be worthwhile to conduct a survey on this question.
- The maximums are too low, particularly for those who may have injuries or accidents. A catastrophic rider option should be considered.

Action: The issues surrounding the dental plans were referred to the UCFW Health Care Task Force (HCTF). HCTF plans to meet with Delta Dental representatives to discuss current problems and future plan options during the January 31 meeting. The Task Force Chair will report back to UCFW in February.

V. Academic Council's Resolution on Restrictions on Research Funding Sources

John Oakley, UCFW Chair

George Blumenthal, Academic Council Chair

Issue: The Academic Council adopted this resolution at its July 2004 meeting, but felt that subsequent concerns expressed by some faculty members warranted a full discussion of the resolution before any further action was taken. After the divisions and statewide committees have commented, the Academic Council will decide whether the resolution should stand as written and adopted, or be amended and/or rescinded.

Overview: Academic Council Chair Blumenthal joined the meeting to provide an overview of this issue. He explained that several years ago, the Senate's Committee on Research Policy (UCORP) began examining the issue of "strings" associated with research grants. One of the major issues was that faculty in some departments within the university have voted by a majority vote not to accept any funding from tobacco companies, as a matter of policy. To the extent that such votes are binding, this would preclude a dissenting faculty member within that unit from applying for or receiving such research funding. In examining this issue, UCORP felt that it was inappropriate and an infringement on academic freedom for any department to preclude a faculty member from applying for funding based solely on the nature of that source. As a result,

UCORP proposed the Resolution that is now before UCFW. (To read the two-year history associated with the Resolution, see agenda pages 8-11.) UCORP's full report on research funding restrictions can be found at:

<http://www.universityofcalifornia.edu/senate/reports/researchstrings072304.pdf>

Discussion: Issues raised during the discussion included:

- The Resolution omits putting the responsibility on the individual researcher. A researcher at the University has a certain degree of moral obligation not to undertake research that is potentially harmful.
- The policy should not focus on who is allotting the grant, but rather the terms of the grant, for example restrictions on publication. Restrictions based on the content of the research are inappropriate.
- Do we have to make such an absolute statement and rest it so firmly on academic freedom? What about the interest of the university in maintaining a reputation of integrity?
- The policy does not address the question of at what academic unit level are such decisions appropriate; i.e., should such restrictions be allowed at the departmental level, at the division level, at the campus level? Or, if there is a moral reason, should that be a decision that should only be made at the systemwide level?
- Suggested changes in wording of the last sentence of the Resolution – "...no unit of the University should be directed (by faculty vote or **lower-level** administrative decision)..., **subject to provisions of applicable law.**"

Action: In a straw vote, there was a general consensus, in principle, that collegial veto on research funding sources should not be binding. In reporting this action to the Council Chair, Chair Oakley will convey some of the committee's concerns raised during this discussion

VI. Report from the University Treasurer

David Russ

UC Fund Returns. Treasurer Russ updated the committee on UC fund returns, to date. For UCRP there was an 8.60% return in the fiscal year 7/1/04 to 12/31/04 versus the 7.99% benchmark. The Regents' Committee on Investments is scheduled to meet on February 15. About a week prior to the meeting, current returns on all UC funds will be posted on the Treasurer's website at <http://www.ucop.edu/treasurer/>

Core Funds Menu. Treasurer Russ reported that the UCFW Task Force on Investment and Retirement (TFIR) had been working with OP on fund options for the 457(b), 403(b), and DCP plans. The fund options will be brought to the Regents' Committee on Investments for approval in February. TFIR Chair Anderson explained that the goal is to provide appropriate investment options for members and to design a structure that makes it easier for them to make good investment decisions. The fund options are arrayed in four tiers. Members will be encouraged to invest in Tier I, which contains a mixture of investment options that will be geared to the expected retirement date of the individual. The hope is that those who do not go into Tier I will go into Tier II. Tier II contains broad asset class funds that, taken together, allow members to invest in most of the assets that are available for retirement investors. Tier III contains specialized asset class funds and members should go into those only if they are expert investors or have a good investment advisor. Tier IV will allow investors to invest in any mutual fund that is available in the U.S. The Treasurer's Office will take the responsibility for monitoring Tiers I. II and III, but Tier IV will be the sole responsibility of the individual investor.

Master Record-Keeper. The master record-keeper platform was established this past October when the 457(b) plan was introduced. It will also serve as the framework for the 403(b) and the DC Plans. OP is in the process of mechanically accomplishing the roll over of the 403(b) and DC funds to this platform. Once that is completed, an RFP will be issued for an educational service to provide some level of financial advice to members.

VII. Report from the Vice President-Budget

Larry Hershman

Vice President Hershman reported that the governor's 2005-04 budget proposal fulfills last year's "compact" with UC. It offers an increase in state funding after four years of substantial cuts. The proposed increase includes funding for student enrollment growth, faculty and staff compensation, and the opening of UC Merced. However, the budget also withdraws \$17 million in state support that was provided to UC at the end of the 2004-05 budget process, as one-time funding outside the compact, and asks UC to take the cut in either enrollments or K-12 academic preparation programs. In the coming months, UC will work to have this money restored. Overall, the budget calls for a \$97.5 million increase in state general funds for UC operations, or 3.6 percent over the 2004-05 fiscal year. The budget will now be reviewed by the Legislature, which will hold hearings and make alternate proposals over the course of the spring. A final state budget is traditionally approved by both the governor and Legislature in the summer. To see a summary of the proposed state budget, go to: <http://govbud.dof.ca.gov/home.htm>

VIII. Update from the Senior Vice President-Business & Finance

Joseph Mullinix

Proposed Changes to State Employee Pension Plans. Sr. Vice President Mullinix provided an overview of and led a discussion on recent state legislative activity related to public pension plans, and what it may mean for UC. On December 6, 2004 Assemblyman Richman introduced a measure ([ACA 5](#)) that would establish the California Public Employee Defined Contribution Plan. The measure would provide that on and after July 1, 2007, any person hired by a public agency may enroll only in a defined contribution plan of a public pension or retirement system, and is prohibited from enrolling in a defined benefit plan. The measure would permit an active member of a defined benefit plan, during a specified period, to transfer a sum equal to the member's interest in the defined benefit plan to a defined contribution plan. On January 6, 2005, following the governor's State of the State speech, Richman introduced a slightly revised version of this bill ([ACAX1 1](#)), which expressly includes the University of California. Its official designation indicates that it is a constitutional amendment introduced during the special session of the legislation called for by the governor in his State of the State speech. In another action, the Howard Jarvis Taxpayers Association is sponsoring a similar measure that it plans to put on a statewide ballot if the Legislature does not act on the governor's plan. It is difficult to predict which of these vehicles the governor may choose to change the public pension plans. The Office of Business and Finance has taken the lead on trying to get UC exempted from these measures since all UC employees, including faculty would be affected. UC has historically enjoyed constitutional autonomy. The proposed constitutional amendments would override that tradition.

MOP Sales. Following the discussion on the proposed pension plan changes, Sr. Vice President Mullinix took questions on the MOP sale, which was described earlier in the meeting by Chair Oakley.

IX. UCFW Task Force on Investment and Retirement (TFIR)

Robert Anderson, TFIR Chair

Core Funds Menu - Tier IV. Members who have money invested in Fidelity Funds will have to access those funds through the Tier IV window. As discussed earlier, the means that they will be required to sign a waiver acknowledging that the UC Treasurer does not exercise fiduciary oversight of these funds. If they do not sign the waiver, they will receive a series of communications from HR&B over the next year warning them that UC is not monitoring their Fidelity investments. The university does not want anyone in Tier IV unless he or she signs a waiver releasing the university of liability. Fidelity has agreed not to accept contributions from investors who are not already in the fund unless they have signed a waiver.

Implementation of New Platform. As previously announced, it is anticipated that the new platform will be operational by July 1. OP will be asking the local campus faculty welfare committees to help inform their campus colleagues about the new program.

Default Enrollment in the 403(b) and/or 457(b) Plans. To encourage more employees to take advantage of savings opportunities, many companies are adopting a default enrollment plan for new hires, and it is becoming standard practice to make the default fund the age appropriate life cycle fund. Should TFIR undertake a study of something similar for UC?

Action: UCFW asked TFIR to study the default enrollment proposal and make a recommendation on what would be the best default fund plan.

Unfunded Liability for Retiree Health Care Coverage. UC has an unfunded liability for retiree health care coverage of \$10 billion. Should TFIR study the effect of this growing liability?

Action: UCFW asked TFIR to examine this issue. The HCTF will also consider this issue at its January 31 meeting.

X. Long-Term Care Options for UC Employees

Chair Oakley reported that UCFW had studied the issue of a UC-sponsored long-term care plan extensively in 1996 and concluded that UC could not improve upon plans offered by other providers, including the CalPERS plan to which UC employees were given access in early 1997. HCTF Chair Simon's memorandum summarizing UCFW's conclusions is available on the web at <http://www.universityofcalifornia.edu/senate/news/notice/html/n6ucfw.html>.

Action: UCFW Chair Oakley, Vice Chair Russell, HCTF Chair Simon, and UCSF Representative Newcomer will form an ad hoc group to gather any more recent information on long-term care options, which could be forwarded to faculty colleagues who might inquire about available plans. The group will also investigate the possibility of bundling a catastrophic policy with the current disability plan offered by UC.

XI. Consultation with HR&B Associate Vice President Judy Boyette and Her Staff

1) The Academic Council asked the UCFW Chair to raise the following question with HR&B: What is the formula for determining the base salary used for retirement calculation and is it applied consistently across the campuses?

Answer: This is a question that HR&B is currently examining, and it will be revisited at February's meeting during the discussion on faculty compensation.

2) A second question from the Academic Council was: What is the UCRS policy relative to the retirement income for surviving spouses and domestic partners; i.e., it seems that the percent income rate declines as the retirement age of the faculty member goes up.

Answer: The amount of the reduction is determined by a reduction factor that varies according to the option chosen, as well as the ages of both the member and the contingent annuitant, since the ages affect the average life expectancy of both the member and the contingent annuitant. A different reduction factor would apply if either the member retired at a different age or the contingent annuitant was a different age.

Action: For further clarification, HR&B staff offered to forward a statement on this calculation to UCFW Chair.

3) What is the recommended waiting period to elect when purchasing short-term disability insurance? Do campus policies differ on how long faculty members will “cover” for ill colleagues?

Answer: AVP Switkes reported that she would be bringing a proposal to UCFW in February that would partially address this question. As a result, this question was therefore deferred to the February meeting.

4) AB 1825 requires supervisors to provide anti-sexual harassment training. Does this apply to faculty who employ research assistants, lab tech, etc.?

Answer: The answer is yes. Faculty administrators (Deans, Chairs, etc.) and Principal Investigators will be required to take a two-hour interactive sexual harassment training. Re-training is required every two years. HR&B is working on developing an interactive online course that will meet all of the requirements of AB 1825. Campuses may also choose to supplement this systemwide offering with face-to-face training, or other such programs.

HR&B also answered questions related to several benefit issues raised by the UCLA representative on behalf of the UCLA Faculty Welfare Committee. The UCSD Representative raised an issue with respect to the health sciences compensation plan and the possible manipulation of the APU structure to enable pension spiking. This issue was referred to AVP Switkes, and will be addressed at the February meeting when the general issue of faculty compensation is discussed.

The meeting adjourned at 4:00 p.m.

Minutes prepared by:
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