

**Minutes of Meeting
January 16, 2009**

I. Chair's Announcements

Helen Henry, UCFW Chair

Chair Henry updated the committee on several items of interest:

1. The Regents met recently and voted to curtail freshman enrollment by 2300 students and to increase transfer enrollments by 500. The Regents also voted to suspend SMG pay increases this year.
2. The Academic Council is forming a task force to investigate the principles underlying Senate membership and whether more health sciences and extension faculty could or should be members (see Distribution 1); Chair Henry will volunteer. In addition to participation in shared governance, Senate benefits include eligibility for various perks, such as certain grants and loan programs.
3. The mileage reimbursement rate has changed. See agenda enclosure Information Item E.

II. Consent Calendar

1. Minutes of Meeting of December 12, 2008
ACTION: The minutes were approved as noticed.
2. Systemwide Review Items:
 - a) Regents Item J-1 – Proposed Revenue Bond Issue
ACTION: The committee elected not to opine on this item.
 - b) Proposed Blue and Gold Opportunity Plan
ACTION: The committee elected not to opine on this item.

III. Consultation with the Office of the President – Budget Office

Debbie Obley, Associate Vice President

ISSUE: The University budget for 2009-10 looks good at present, i.e., could have been worse, though the situation may change. For historical perspective, in January 2008, the University's state support declined by \$108M, \$98M of which was later restored. Subsequently, \$33M was cut, and the situation has only deteriorated since. As a result, the remaining ~\$66M of the restored funds will be cut before the end of Fiscal Year 2008-09, which means the University will need to absorb those cuts before June 30, 2009. The \$33M cut was a one-time cut, but the \$66M is now coded as a permanent cut in University funding. Various other itemized funding lines are in play, but these shifts are not expected to yield any increase in funding. See also Distribution 2.

DISCUSSION: Members asked what contingency funding plans OP was developing in case the state budget continues to decline. AVP Obley indicated that many cost-avoidance measures, such as curtailed enrollment and fee hikes, would be considered before any pay cuts. Several members encouraged AVP Obley and OP to go "on the record" with their funding priorities and contingency plans for the next several years, including being explicit regarding the principles and philosophy underlying these

priorities. The view was expressed that even if the situation were dire enough that faculty salaries had to be cut, merit increases should still be left intact.

Members also inquired as to what consideration had been given to a high fee/high aid operating model. AVP Obley noted that that discussion was still on-going. She added that despite The Regents' recent enrollment curtailment, the University will still be overenrolled, and the impact of the funding change to the Cal Grants program will be to disadvantage UC by partially decoupling the grant amounts from fee increases.

Finally, AVP Obley noted that the start-up funds that had been diverted to the Merced campus were timing out, and though growth is planned, it is not funded.

ISSUE: Restarting UCRP contributions is a priority for the University. The Regents will consider a start-up based on 4% state contribution and 2%/4% employee contribution. The employees' contribution would come from a redirection of current automatic deposits to the defined contribution plan, thus avoiding a reduction in take-home pay. The state's 4% figure, if starting on July 1, 2009, would necessitate ~\$95M, but only \$20M is available. Accordingly, UCOP will propose delaying the restart of contributions to UCRP until April 15, 2010, at a rate of 4% from the state. It is hoped that, long term, contribution percentages will level at 5% employee/11% state, but that will only be realized after any underfunding has been remedied through higher employer contributions.

DISCUSSION: Members sought clarification that on April 15, 2010, the automatic DC contribution will be automatically redirected to the DB plan; HR&B Director Schlimgen confirmed that such is to be the case according to the current plan. Members also sought clarification on the practice of requiring employees who earn >\$106K/yr to contribute 4%. HR&B Executive Director Scott noted that it is an internal policy, not an IRS regulation. Some members noted that greater transparency on the process and rationale behind this policy could be an asset moving forward; others questioned the wisdom of such a progressive structure. It was noted that a similarly graduated structure is employed for health care premiums, and it was further noted that employees who leave the University before vesting in the plan help to off-set the contribution schedule.

Members then asked for an explanation as to why the state's \$20M contribution should be delayed until April 2010, when doing so will only add to the diminution of the plan's funding status. TFIR Chair Anderson posited that positioning the state portion as a continuing state budget line at 4% was a better strategic move for funding security. He also noted that the impact on the funding status of the plan of \$20M, whether immediately or in April 2010, would be negligible. AVP Obley added that since employee contributions will not start until April 2010, it would be a poor strategic move to ask the state to begin contributing in advance of plan participants. Members then asked whether the \$20M was, in fact, guaranteed. AVP Obley responded that it was dependent on a credible budget that would allow the state to secure external funding. Members observed that this process could set a dangerous precedent.

IV. Campus Issues

1. Family Friendly Policies

ISSUE: The Davis division has raised the issue of fee waivers for faculty and staff dependents, and HR&B is investigating the history of the issue. The Berkeley

division has initiated a trial program of back-up childcare and will report in March. Other topics to investigate are on-campus childcare facilities' capacities and whether/how to begin an adoption leave program. Today, UCFW will focus on the inadequacy of on-campus childcare slots.

DISCUSSION: Members reported that on-campus childcare is woefully outnumbered by demand: wait lists in the thousands of children, of several years, and even of unborn children being listed, are common. Chair Henry noted that as a rule of thumb, wait lists are at least twice capacity on each campus. HR&B Executive Director Scott added that this situation has not changed in quite some time. It was noted that lack of adequate child care facilities negatively impacts recruitment and retention, but it was also noted that although this is a perennial topic of concern, it is routinely not the highest faculty welfare priority.

ACTION: Chair Henry will draft a letter to Senate Chair Croughan describing the situation and requesting the help and support of the Academic Council in taking the message to the Administration that the availability of adequate child care continues to be a major issue in the hiring and retention of faculty

ACTION: UCFW will request an informative presentation from HR&B on the status of adoption leave policies at a future meeting.

V. Consultation with the Office of the President – Human Resources & Benefits

Randy Scott, Executive Director, Strategic Planning & Workforce Development

1. Rehired Retirees Policy Update

Barbara Clark, Office of General Counsel

ISSUE: This policy governs only the reemployment of retirees into senior management group and staff positions; employees recalled into faculty appointments will be covered in a separate policy still under development. President Yudof decided to retain the 12-month limitation in order to facilitate both performance and policy review; reappointment is possible. In keeping with his emphasis on accountability and transparency, President Yudof also prefers to follow a stricter standard than that contained in federal Medicare limitations. This policy, along with five others, will be presented to The Regents at their next meeting. Implementing the new policies and effectively communicating their differences from previous plans is the next step in this process.

DISCUSSION: Members asked what would happen if a recall was not approved, and Executive Director Scott replied that specifics for that and other contingencies are being clarified internally. The policy limits recalls to 43%, but members were unclear as to how that 43% was to be calculated: as a percentage or time or salary? Manager for HR Applications Damico indicated that the percentage was based on time, but members noted that time can be defined in various ways at UC, that is, a nine-month appointment over twelve-month period is confusing. Executive Director Scott added that the percentage cap is designed to prevent the appearance of “double-dipping” – of receiving two UC incomes. Members countered, though, that a Stanford retiree who is appointed at UC can retain his Stanford pension income in addition to his new UC pay; limiting UC recalls to a single salary seems unfair.

ACTION: HR&B will update the committee again next month, following action by The Regents.

2. UCRP

a) Restart of Contributions

Gary Schlimgen, Director, Retirement Programs

ISSUE: The restart of contributions to UCRP will be on the next Regents agenda, and the actual amount of UC and employee contributions will be available then. There have been guarantees, though, that the employer contribution will at least equal that of employees. The employee portion will begin with the 2%/4% redirection of funds currently sent to the defined contribution plan, aiming for a 5% cap as is the case with CalPERS. A definite offer must be available to present to many bargaining units as several unions have contract re-openers on this subject. The restart of employer contributions on behalf of employees paid by extramural agencies is a critical part of beginning to restore UCRP funding. Due to recent market turmoil, funding projections could show UCRP as low as 61% funded by 2013 – even if contributions begin as scheduled next April. When the new returns are processed, the contribution rate ramp up schedule may need revision.

DISCUSSION: Members asked if The Regents would be presented contingency funding plans, and Director Schlimgen noted that the current language reads “if funds available.” Executive Director Scott also noted that an administration task force on retirement benefits has been formed to aid in this process. Members asked how the fund could be restored to 100% funding. Director Schlimgen indicated that the University’s actuary will recommend specific dollar amounts, but he added that long-term amortization of the liability mitigates the need for a speedy ramp up and/or high percentage contributions. At some point, however,, it is possible that as much as 20-30% of payroll may need to be contributed due to the severity of recent market events. Members also asked for comparative fund health indicators, such as CalPERS’ performance over this same period. Director Schlimgen stated that while no specific numbers were available, that fund has been hit significantly.

ACTION: UCFW will receive another update at its next meeting.

b) ACA 5 Update

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

ACTION: UCFW will receive another update at its next meeting.

c) Plan Administration RFP Update

UPDATE: There was no new information to report at this time.

3. Total Remuneration Update

ISSUE: Representatives from UCFW, TFIR, and HR&B will meet by teleconference early next week with Hewitt Associates, the firm assisting in the remuneration study. Earlier, Hewitt met with Mercer, the firm that conducted the previous remuneration study, to ensure that the transition between the firms went smoothly.

ACTION: UCFW will receive an update on this item at its next meeting.

VI. Consultation with the Office of the President – Academic Advancement

Janet Lockwood, Associate Director

Associate Director Lockwood updated the committee on the revision status of several APMs:

1. APM 240 (Deans and Provosts)

UPDATE: The proposed revision has been completed and will be sent for systemwide review soon. Additionally, a compensation committee has been formed by interim Provost Grey to develop methodology for a dean's salary structure.

2. APM 025 (Conflict of Commitment and Outside Activities of Faculty Members) and APM 200-22 (Recall Appointments for Academic Appointees)

UPDATE: These are the next two APMs that are slated for revision. The revision of APM 200-22 will commence once the staff recall policy has been finalized, and the revision to APM 025 will focus on clarifying the expectations of faculty and updating Appendices B and C.

3. APM 670 (Health Sciences Compensation Plan)

ISSUE: UCFW Vice Chair White has been leading an internally comprised working group to vet possible revisions to the APM, and he extended thanks to UCAP Chair Plaxe and at-large member Pitts for their valuable contributions. The sub-group's key change to the APM so far has been to relocate the departmental advisory committees to the main body of the APM from the appendix. AD Lockwood noted that retaining the new position of the advisory committees in the APM may be easier than establishing norms for their interactions with deans. Reaching consensus on funding and changing split appointments may be still more difficult.

DISCUSSION: Vice Chair White suggested that, for HSCP participants with an appointment of more than 50% in a health sciences school, enrollment in the HSCP should be automatic; it is only for those with lesser splits that concerns arise, but the impacted deans should agree on the funding arrangements and perhaps reach a three-year accord to avoid "plan hopping." AD Lockwood indicated that administration officials may want a more proscribed set of alternatives. Members noted that retaining flexibility in the plan is a significant asset. It was also noted that the current (unamended) language has APU movement restrictions which would also help limit frequent changes.

AD Lockwood asked for more information as to the roles of the advisory groups. Members indicated that for large units, especially, having a dedicated subset of faculty to monitor and be familiar with departmental and other policies would be an excellent resource for new faculty or for long-term faculty who have not previously encountered HSCP-related issues. Such groups could also foster a broader awareness of key principles and encourage the adoption of best practices. Senate Vice Chair Powell observed that previously, invocation of the advisory groups has been at the deans' discretion. Vice Chair White argued that a good faith broadening of the advisory groups' roles and responsibility is not just to assist faculty, but also to remove regulatory and educational onuses from the deans.

Senate Vice Chair Powell then inquired of the committee whether the use of good standing criteria could be troublesome. Vice Chair White noted that currently, there is an unstated presumption of good standing and that the responsibility to prove malfeasance lies with the dean. Other members disagreed, though, suggesting that what was once a tool for policing egregious activities has, on occasion, spread to attitudinal differences and personality conflicts where no documented wrong has occurred; it was posited that retaining the good standing criterion could create an environment of intimidation. In response, Chair Henry wondered whether an explicit statement of purpose for the good standing criterion could be developed to prevent its misuse, while others suggested that the advisory group or an ombudsperson should be involved in cases where good standing was at issue such that individual personalities would be minimized. One member asked what harm comes from not being in good standing, and it was explained that while HSCP participation would not be jeopardized, Y and Z funding could be implicated by a loss of good standing.

ACTION: Analyst Feer will schedule a follow-up teleconference for the working group to further clarify the issues raised.

Associate Director Lockwood also reported that the report detailing the slippage, if any, of UC faculty remuneration following the suspension of Year 2 of the faculty salary plan vis-à-vis its Comparison 8 was not available yet as the comparators' data had only just arrived. It is hoped that the committee can receive an update at its next meeting.

VII. Response to Restart of Contributions

Helen Henry, UCFW Chair

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

ACTION: Chair Henry will draft a revised statement and circulate it electronically to the committee for endorsement before presenting it to the Academic Council.

VIII. Report: UCFW Task Force on Investment and Retirement (TFIR)

Bob Anderson, TFIR Chair

1. Comparison of Fund Manager Performance

UPDATE: The document outlining comparison metrics of investment fund managers' performances is still being developed. Following further refinement by TFIR members, it is hoped that a final version of this document will be on the February agenda.

2. Communication with UCRP Participants Regarding Lump Sum Cashouts

ISSUE: Recent market turmoil may scare some UCRP participants into cashing out their UCRP benefits in a lump sum, either at normal retirement age or even prematurely, rather than opting for annuitant payments. TFIR wants to make certain that participants have as much information as possible before making such a decision. Internal TFIR comments on the draft circulated include removing certain bullet points that are not germane to this discussion of UCRP and asking OGC to vet the document to be certain that it does not contain any investment or legal advice.

DISCUSSION: Members questioned whether the Senate was the best body to author such a document. Others responded that providing the most accurate information possible to colleagues is clearly within UCFW's purview and arguably the committee's responsibility. Still others wondered if it might be co-authored so as to carry the administration's imprimatur, too. In response to this it was noted that, with regard to UCRP, information from UCFW may have a different level of credibility than that from the administration. One member remained concerned that the document could be interpreted as providing retirement advice, despite assurances to the contrary.

ACTION: TFIR Chair Anderson will circulate a revised draft for electronic endorsement by the committee. Chair Henry will then submit the document to the Academic Council and request its wide dissemination.

IX. Compliance Issues

Helen Henry, UCFW Chair

ISSUE: Next month, Senior Vice President for Ethic, Compliance, and Audit Services Sheryl Vacca will consult with UCFW. Members are encouraged to submit questions to Chair Henry beforehand.

ACTION: Analyst Feer will circulate to the committee SVP Vacca's website address for their reference.

X. Report: UCFW Health Care Task Force (HCTF)

Rick Kronick, HCTF Chair

REPORT: There was no new information to report at this time.

XI. New Issues for Discussion

1. Accountability Follow-up

ISSUE: UCOP has issued a revised table of contents and list of indicators for its accountability framework. UCFW has been asked to assess the revision's responsiveness to previously submitted feedback.

DISCUSSION: Members were unanimously disappointed by the revision and noted that less than 5% of UCFW's initial feedback had been addressed.

ACTION: Chair Henry will submit a letter to the Academic Council indicating the committee's disappointment in the revision but encouraging a more thoughtful and comprehensive revision process and product moving forward.

2. Catastrophic Leave Donation

ISSUE: Members inquired why most HSCP faculty cannot donate vacation time to staff in the case of the latter incurring a catastrophic injury.

ACTION: Analyst Feer will investigate and report back to the committee.

3. Loan Program Funding Status

ISSUE: Members inquired as to the reserve funds for various loan programs.

ACTION: Analyst Feer will investigate and report back to the committee.

Adjournment: 3:45 p.m.

Distributions:

1. Task Force on Senate Membership Charge
2. MGY2UC Regents and Chancellors Memo re 2009-10 State Budget (1/5/09)
3. UCFW June 8, 2007 Minutes excerpt re Family Friendly Policies

Minutes prepared by Kenneth Feer, Senior Policy Analyst

Attest: Helen Henry, UCFW Chair