

Minutes of Meeting – March 14, 2008

UCOP Room 5320, Oakland, CA

I. Executive Session

Note: This agenda item was conducted in Executive Session. Minutes, aside from action items, are not prepared for this portion of the meeting.

II. Consent Calendar

- Approval of the February 15, 2008 UCFW meeting minutes

ACTION: UCFW members approved the consent calendar via unanimous consent.

III. Consultation with HR&B Associate Vice President Judy Boyette

Note: This agenda item was conducted in Executive Session. Minutes, aside from action items, are not prepared for this portion of the meeting.

IV. Consultation with UCOP – Budget Office

- **Katie Lapp, Executive Vice President, Business Operations**
- **Patrick Lenz, Vice President, Budget (via teleconference)**
- **Debora Obley, Associate Vice President, Budget Operations**

UC Budget Update – Vice President Lenz: UC was spared from midyear budget reductions by the state, but updated 2008-09 budget figures will be released in the May budget revise. The Legislative Analyst's Office (LAO) released its annual state budget report in February. The report takes a balanced approach to the budget, as opposed to the Governor's proposed ten percent across-the-board cuts proposal. The LAO report includes \$2.3 billion in additional revenue via tax expenditures and credits in the spending side of the state budget, plus proposed budget reductions. This nets an overall improved budget for K-12, as well as higher education although the proposal does not fully restore UC to its 2007-08 funding level, nor does it grant the Regents' 2008-09 budget request. Budget hearings have just started in Sacramento. Vice President Lenz is encouraged so far by legislators' concerns over issues such as student access, student fees and financial aid, UC resources for mandatory costs, and faculty and staff salaries. Little attention has been paid to UC endowment funds as a source to replace state funding. Overall legislators have expressed support for all of the state's higher education institutions.

Budget Advocacy Strategy & March Regents' Meeting – Executive Vice President Lapp:

Provost Hume, Executive Vice President Lapp and Regent Gould participated in a roundtable discussion with CSU and CCC personnel regarding the need to develop a higher education alliance, and ways to accomplish their individual and collective funding needs from the state. EVP Lapp noted that they were extremely encouraged by this discussion, and expect to see significant progress from the state's higher education segments acting as one system in future budget negotiations. EVP Lapp also reported that Provost Hume will discuss budget priorities at the March Regents' meeting.

At the January Regents' meeting, EVP Lapp presented various budget scenarios for the Regents to consider should UC be subject to major cuts in state funding. Provost Hume's March presentation will offer his personal priorities among the options that EVP Lapp offered. The Regents will not act on student fee increases in March, but will wait until the May budget revise is released to have a better sense of the budget cuts UC will face.

DISCUSSION: UCFW members asked many questions about the upcoming Regents' meeting concerning the UC budget and the potential impact on student fees, and the faculty salaries plan. EVP Lapp was unable to offer any details of the Provost's budget priorities, as his presentation is yet to be completed. Members also discussed the potential funding mechanism for year two of the faculty salaries plan, including an understanding of UCOP's FTE funding formula. Associate Vice President Obley explained that UCOP did not fully fund any part of year one of the faculty salaries plan to the campuses. A methodology was developed that funded increases for active positions only, and the campuses were left to deal with funding unfilled FTEs on their own. This is a departure from past practice where UCOP funded salary increases for unfilled FTEs at the campuses. Associate Vice President Obley noted that funding for year two of the faculty salaries plan as originally designed is precarious because there is little money for any extra programs right now. Funds are sent to the campuses as block allocations for compensation, medical benefits, etc., that are not tied to FTEs, which is then left for the campuses to allocate at their own discretion. Student enrollment funding, however, is tied to a FTE formula. The Regents will hear a presentation next week about the UCOP restructuring plan, which is expected to include more details about the reported \$68 million in administrative cuts that the UC system will endure. Savings at UCOP will account for at least \$28 million, and the campuses are expected to then follow suit. Again, details about UCOP's savings will be included in the Regents' presentation. Total savings from the UCOP Voluntary Separation Program will not be known until the final employee separation date on June 30. The overall goal of the UCOP restructuring efforts is to scale-down UCOP's functions and budget, not necessarily reduce systemwide costs.

V. The Future of UCRP Administration

- **Judy Ackerhalt, Deputy to the Associate Vice President, HR&B**
- **Mike Baptista, Director, Information Systems & Support, HR&B**

ISSUE: UCFW is continuing its discussion of HR&B's proposed release of a Request for Proposals (RFP) for the administration of UCRP, a function that is currently operated out of UCOP in Oakland. UCFW has drafted a statement expressing its concerns about the RFP timeline and future implications for UCRP, which it intends to forward to the Academic Council after today's meeting.

REPORT: Director Baptista reported on the intent of the RFP, which is to explore whether there are financial or quality advantages to using an outside entity's workforce and technology in the daily administration of UCRP. The RFP will in no way alter Associate Vice President Boyette's role as the fiduciary plan administrator, and the outside entity, if chosen, will not be involved in decisions concerning what benefits are offered to UC employees, and other substantive benefit issues. Ultimate decisions, appeals claims, and other pension administration questions will still be under AVP Boyette's authority. Deputy Ackerhalt explained that the RFP project is part of the UCOP restructuring process that is exploring whether UCOP's current transactional work should be located at UCOP. A variety of business models are being evaluated, including whether an outside vendor should be hired to perform all of UCOP's current transactional work; UCOP maintains all of

its current in-house work; or various hybrid models. HR&B remains committed to working with the Senate committees on this project, but is concerned about possible delays in the overall timeline. A workgroup has been formed to review the RFP, which includes UCFW and UCPB representatives.

DISCUSSION: UCFW members noted that the report today regarding appropriate consultation with the Senate has reassured them, but expressed reservations as to the timing of the RFP, unintended consequences of outsourcing UCRP administration, and the proposed necessity for the RFP in general. Some members stated that more information will be needed for future discussions regarding the proposed cost savings and any budget considerations given the timing of the release of the RFP and the ongoing UCOP budget savings discussions. Members also asked for more details about what exactly in HR&B is broken; what systems need to be upgraded, etc.; and what funding would be necessary to fix these systems in order to prevent the need for outsourcing of certain HR&B functions.

ACTION: UCFW will continue discussion of this topic at its April 11 meeting, and will forward its statement on the privatization of UCRP to the Academic Council for consideration at its March 26 meeting.

VI. Consultation with UCOP – Human Resources & Benefits

- Gary Schlimgen, Director, Retirement Planning, HR&B
- Mona Litrownik, Coordinator, Policy & Program Design, HR&B

REPORT – START Program: The START program was first implemented for UC employees systemwide from 2003-2006, to address the UC budget downturn. START is a temporary salary savings program where employees voluntarily reduce their work hours and pay, anywhere from a 10 – 50% reduction, while keeping their full UCRP accrual and service credit rates, and sick and vacation leave time. START is now being revived because of the current state budget crisis, with a planned start date of July 1, 2008. Faculty are not eligible for the program, but other academic titles, as defined in APM 110, are eligible. Before START can be established, UCRP must be amended so that UCRP service accrual rates are not diminished. The Regents are therefore expected to consider an appropriate UCRP amendment item at their May meeting. The START program will run for two years, until 2010. During the 2003-06 START program, UC had 3000 participants, with a savings of approximately \$42 million.

DISCUSSION: Coordinator Litrownik noted that HR&B has not explored any potential impacts that START has had on employees' behavior related to retirement. HR&B will also need to work with their actuaries to develop projections for UCRP, should employee contributions be restarted anytime from July 1, 2008 through the end of the two year program, since START would result in a loss to UCRP due to reduced employee time and pay. HR&B is ultimately looking for support from TFIR, UCFW and the Academic Council for the START program.

ACTION: UCFW will continue discussion of the START program at its April 11 meeting.

VII. Update: Work of the New Financial Programs Subcommittee of the UC Housing Task Force

- Ruth Assily, Director, UCOP Office of Loan Programs

ISSUE: In fall 2007, Executive Vice President Lapp reconvened the New Financial Programs Subcommittee of the UC Housing Task Force. The Subcommittee, which includes Senate members

appointed by UCFW and the Academic Council, was charged with exploring the current Supplemental Home Loan Program (SHLP) and developing recommendations to possibly improve the program.

REPORT: Director Assily distributed a handout that summarizes the six recommendations developed by the Subcommittee so far. The Subcommittee held meetings in November and January, and is currently finalizing a report. Director Assily will forward the final report to UCFW when it is completed. Director Assily then reviewed the six recommendations with UCFW members. She noted that the new UC compensation policies enacted by The Regents in the past year also impact the SHLP loan policies. Finally, she noted that the major changes proposed by the Subcommittee include a maximum threshold for a SHLP loan, and that language in the SHLP policies will be amended to conform with the University's new Mortgage Origination Program and compensation policies.

DISCUSSION: UCFW members requested an electronic version of the Subcommittee's recommendations, for further study and consultation with divisional colleagues. She stated that the earliest the Regents would consider a proposal to amend the SHLP program would be at their July meeting.

ACTION: UCFW will revisit the recommendations and report of the New Financial Programs Subcommittee of the UC Housing Task Force at its May meeting.

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

ACTION: This item was postponed to the April 11 UCFW meeting.

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

- **Bob Anderson, TFIR Chair (via teleconference)**

REPORT: TFIR Chair Anderson noted that the majority of TFIR's business was discussed at the beginning of today's meeting, and that TFIR supports UCFW's statement regarding the future of UCRP administration and the release of the UCRP RFP.

X. Continued: UCOP Restructuring Initiative

- **Dan Greenstein, Vice Provost, Academic Information and Strategic Services**

ISSUE: UCFW is continuing its discussion with Vice Provost Greenstein regarding the UCOP restructuring initiative. UCOP has expressed concerns about certain UCOP functions affecting faculty welfare issues, including the administration of UCRP, which could be outsourced or restructured with seemingly little or no Senate input.

REPORT: Vice Provost Greenstein reviewed with UCFW members the recommendations from the "Roles Report," which was written by a task force chaired by UC Davis Chancellor Vanderhoef, as part of the UCOP restructuring process. The report details the four roles of the UC President and also outlines the view that the Office of the President should support the four roles of the President, characterizing other functions currently performed at UCOP as "transactional activities" that do not support the President. Vice Provost Greenstein then noted various examples of these transactional or "service center" functions at UCOP – such as the Continuing Education of the Bar (CEB), the Office of Technology Transfer (OTT) and the UC Press – which are self-sustaining programs. Vice Provost Greenstein then noted various examples of these that could thrive anywhere. They are

identifying such functions at UCOP because the focus is to make UCOP smaller. One UCFW member stated that these are good examples, but what about functions under UCFW's purview, such as retirement and benefits? Vice Provost Greenstein reported that approximately 80 percent of UCOP's budget is spent on "support services" that do not support the President's four roles. UCFW countered with the view that the Roles report should not be read to imply that activities not directly in support of the President need to be moved. In some instances, the move might be irrelevant; in other instances, there may be legitimate reasons why the transactional or service-center function still should be performed on a systemwide basis. More details on the shrinking of UCOP will be included in the budget presentation at the Regents' meeting next week. He assured UCFW that this is a fast-moving, but deliberate and thoughtful process.

Regarding the UCRP RFP, UCFW members expressed strong opposition to UCOP's decision to produce the RFP without faculty consultation. Vice Provost Greenstein reported that he could not comment on this matter because he was not involved in the discussions leading up to the development of the RFP. Other UCFW members noted that the Monitor Group interviewed chancellors, administrators and other campus staff, but included very few faculty. Vice Provost Greenstein admitted that there have been many activities done in the UCOP restructuring process that did not involve faculty consultation. He noted that the UCRP RFP is being used as an evaluation tool and that the RFP could ultimately prove that UCOP is the best place to administer UCRP benefits. He also reported on other considerations involved in the UCRP RFP, including the large number of retirees expected in the upcoming years that will stress the UCRP administration center, and that the UCRP data center in Oakland is very close to a meltdown. Money has to be taken from other sources at UC in order to rebuild UC's infrastructure. The theory underlying the RFP, for example, is that the RFP will produce companies that could meet all of UC's requirements, which also exceed UC's core competencies. Vice Provost Greenstein asked whether UCOP should invest in cyberinfrastructure, while continually being underfunded by the state; and that UC is a research institution, and not a benefits administration institution.

DISCUSSION: UCFW members stated that the campuses should be consulted regarding which functions it would rather perform on its own, rather than systemwide. They pointed out that some of these functions may be administrative in nature, but are still important services that the campuses would rather exist at UCOP. Other members questioned the reasons behind targeting UCRP administration first, and why not develop a RFP to handle UC cyberinfrastructure first, for example. Vice Provost Greenstein replied that the current RFP will hopefully determine the best way for UC to invest its systemwide resources. One member expressed concern for the seeming lack of a plan or strategy for the whole restructuring process. Vice Provost Greenstein noted that UCOP is under a great degree of pressure to present a new UCOP budget to the Regents in March, and a new UCOP organization chart in May. The state budget crisis has compounded these pressures at the same time. He suggested that UCFW could request a presentation from Provost Hume on the new UCOP structure prior to the Regents meeting in May. Although Vice Provost Greenstein noted that UC needs to learn to act more quickly than in the past, UCFW members stated that one of the Senate's strengths is that it acts deliberatively, which sometimes takes time. Vice Provost Greenstein reported that he is committed to work with the Senate Chair Brown to include the Senate in upcoming decisions on the UCOP restructuring process.

ACTION: UCFW will continue discussion of this issue at its April meeting.

XI. Consultation with UCOP – Academic Personnel

- **Jill Slocum, Executive Director, Academic Personnel**
- **Gregory Sykes, Acting Director, Health Sciences Compensation Plan**

REPORT – Faculty Salaries Plan: In Vice Provost Jewell's absence, Executive Director Slocum reported that year two of the faculty salaries plan is still under development. Consultations with the campus EVCs are ongoing, including strategies on the funding mechanism for year two of the plan. The next Faculty Salaries Workgroup meeting is scheduled for early May, when fall 2007 faculty payroll data will be available. They also hope to schedule a brief teleconference in early April.

REPORT – APM 670 (Health Sciences Compensation Plan): Executive Director Slocum reported that her office has developed a series of recommended changes to APM 670, which were distributed at UCFW's February meeting. She looks forward to discussing a plan to move forward on these recommendations with Senate Vice Chair Croughan soon, which could include convening a subgroup of UCFW and UCAP members. Executive Director Slocum will update UCFW on any additional progress on this issue at its next meeting.

REPORT – APMs 710, 711 and 080: Executive Director Slocum reported that UCFW Chair Chalfant, Vice Chair Henry, Acting Director Sykes, and herself have reviewed all of the Academic Council's comments and have developed a chart summarizing the comments, as well as responses. She noted that the majority of comments reflected a need for clarifying statements and definitions within the APM provisions, and also suggested ways for faculty to bank their sick leave accrual. UCFW Chair Chalfant reported that the chart addresses all of UCFW's and Council's concerns, and that he looks forward to presenting it to the Council at its April meeting.

ACTION: UCFW members will discuss the draft chart regarding proposed changes to APMs 710, 711 and 080 with their divisional colleagues, and report back any concerns at the April UCFW meeting. UCFW will finalize action on this matter at its April meeting.

XII. UCFW Executive Session

Note: This agenda item was conducted in Executive Session. Minutes, aside from action items, are not prepared for this portion of the meeting.

ACTION: UCFW will submit comments to the Academic Council concerning the systemwide Senate review of the Proposed Transitional Leave Policy for the Senior Management Group.

ACTION: UCFW will continue discussion of other items currently under systemwide Senate review at its April meeting.

Meeting adjourned at 4:00 p.m.

Attest: Jim Chalfant, UCFW Chair

Prepared by: Michelle Ruskofsky, UCFW Analyst