

UNIVERSITY COMMITTEE ON FACULTY WELFARE

Approved Minutes of the Meeting

May 20, 2005

I. Chair's Announcements
John Oakley, UCFW Chair

General Meeting Announcements. Members Robert Newcomer (UCSF) and Susan French (UCLA) were unable to attend the meeting. Avaniidhar Subrahmanyam attended as UCLA's alternate representative. The UCSF Division did not send an alternate. Members Henry Forman (UCM), Morton Printz (UCSD), Douglas Morgan (UCSB), and Douglas Haynes (UCI) joined the meeting by teleconference. Joe Kiskis, Chair of the University Committee on Educational Policy, attended as a guest.

Catastrophic Long-Term Care Insurance Options. Chair Oakley noted that since UCSF member Newcomer had recently been appointed to serve on UCFW's Health Care Task Force (HCTF), the long-term care insurance issue was referred to the task force.

Action: An update on HCTF's preliminary discussion of long-term care insurance options will be provided at the June meeting.

May 11 Assembly Meeting. The Assembly considered and approved/adopted the following items: 1) amendment to Bylaw 128 on subcommittees and task forces of standing committees; 2) new Senate Regulation 477 that streamlines the course articulation process; 3) amendment to Senate Regulation 478 on the Intersegmental General Education Transfer Curriculum (IGETC) that allows students in the physical and biological sciences to defer two of their IGETC courses until after transfer; 4) amendment to Senate Regulation 600B on conferral of graduate degrees to campus faculty colleagues; 5) the Academic Council's Resolution on Research Funding Sources; and, 6) UC Merced's proposal for divisional status, pending Academic Council's certification of operating funds.

May Meeting of the Academic Council. The Academic Council reversed its position on a recommendation that it made to the administration last year on the question of whether UC should sponsor legislation that would permit the use of electronic surveillance by UC campus police during the course of felony investigations. At that time, the Academic Council did not opine because it felt that this was an administrative matter. The administration did proceed with sponsoring this legislation, and the resulting bill, AB 992, is now working its way through the legislature. This week the Academic Council sent a letter to administration stating its opposition to AB 992 on the grounds that this legislation impinges on academic matters at UC. Council deferred consideration of the Medical Leaves/Sick Leave APMs until UCFW reports back on its subcommittee's progress. The Board of Admissions and Relations with Schools (BOARS) has raised serious questions about the National Merit Scholarship Program and has recommended that UC discontinue its participation in this program because of its discriminatory impact on disadvantaged students. Council will be asked to take a position on this question at its June meeting. The Institute for Global Conflict and Cooperation (IGCC), a Multicampus Research Unit, which receives a major portion of its funding from lab management fees has had its budget cut by half. Lab management took this action because of recent stresses on its own budget. Council expressed its concern that there was no Senate consultation prior to this action.

June 20 Last Scheduled UCFW Meeting. Since HR&B has provided assurances that the estimated health care premium rates for 2006 would be available in time for UCFW's review at a June meeting, the committee will meet on June 20. The meeting tentatively scheduled for July 18 was cancelled.

II. Consent Calendar

1) Approval of the April 22, 2005 meeting minutes

Action: The minutes of the April 22, 2005 meeting were approved as submitted.

III. Sick Leave/Medical Leave APMs

Ellen Switkes, AVP-Academic Advancement

Robert Anderson, Chair-UCFW Subcommittee on Sick Leave/Medical Leave APMs

Issue: At the April meeting, UCFW formed a subcommittee to work with Academic Advancement staff to modify drafts of proposed new and revised policies governing faculty sick leave, medical separation and leaves of absence, in order to make them more equitable to faculty. The group has met and at this meeting provided an update on its progress.

Summary:

AVP Switkes provided an update on the subcommittee meeting. She reported that all of the draft policies were reviewed in detail with a special focus on the issues that were raised by UCFW at the April meeting. The subcommittee agreed to a number of modifications, although Switkes cautioned that these would still need to be reviewed and approved by the EVCs. Among the modifications were:

- These policies will be entitlements rather than simply recommendations to the chancellors.
- The right to sick leave and the amount that is provided *shall* be granted; as opposed to *may* be granted.
- Protections were included to safeguard against medical separations being implemented too early.
- The staff policy allows the use of paid sick leave for the care of family members, but there is no such provision for academic personnel. It was agreed that the policy would include a statement to the effect that paid sick leave for the care of a family member or domestic partner is not prohibited. The faculty member would then be referred to the policy on leave of absence with pay.

Subcommittee Chair Anderson reported that the group had made good progress. UCFW members will have the opportunity to review the revised drafts of the new policies, once the drafting process has been completed, to determine whether their concerns have been resolved.

Action: A review of the revised drafts will be on UCFW's June agenda. UCFW Chair Oakley strongly recommended that, once the redrafting has been completed, the revised versions of the proposed new policies are sent out for a second informal review in the fall.

IV. Report from Task Force on Investment and Retirement (TFIR)

Robert Anderson, Chair

Mike Baptista, Director-HR&B Information Systems Support; Gary Schlingens, Director-HR&B Retirement Planning; Paul Angelo, Actuary-Segal Company

Transition to Fidelity-Managed Investment Platform. In July, account and recordkeeping services for the DC and 403(b) plan will be transitioned to Fidelity Investments Tax-Exempt Service Company (FITSCO). FITSCO already provides recordkeeping services for UC's 457(b) plan, which was implemented last September. Together, the three plans will be known as the University of California Retirement Savings Program. Among other things, the new service will provide a toll-free customer service call center; single-account access; same-day transfer between investment option; and a consolidated quarterly statement. Participants in the retirement savings program have already been notified of the change and a follow-up message on the transition process itself will be sent out at the end of May. Director Baptista distributed a handout summarizing the policy and process changes. He directed attention to the guiding principles listed at the top of the page and noted that all of the process changes were based on those principles.

403(b) Loan Terms. Chair Oakley raised a concern about changes in the terms of short-term and long-term loans that investors may make to themselves out of funds in their 403(b) Plan accounts. He noted that a policy-based change in the interest rate had not been discussed with the Senate before it was adopted as policy. Director Baptista said that the Prime + 1% rate was consistent with industry standards and IRS regulations, but agreed that there should have been Senate consultation in advance of the change. He noted, however, that the servicing fee had been dropped by a considerable amount and that the rate on the loan is frozen at the time the loan is taken.

Beneficiary Designation. As a result of the FITSCO conversion, some participants may need to review and change their beneficiary designations – especially those who have 403(b) money in both UC and Fidelity accounts. If the beneficiaries on these accounts are different, then the UC designation will govern both. When the conversion is completed, a special mailing will go out to all participants urging them to review their designations and make any needed changes.

Action: Chair Oakley asked member Braunstein to work with Director Baptista on drafting a tip sheet for UCFW on how to designate a contingent beneficiary.

Confidentiality of Information. Once the new system is operational, there are safeguards to ensure that the confidentiality of information is maintained. The contract with FITSCO states that the data is owned by UC, and there are many restrictions on what FITSCO can and cannot do with this information. All information sent by FITSCO requires UC's approval. UC has a dedicated encrypted line to FITSCO, where the information is exchanged. FITSCO does not have access to UC's system.

Actuarial Assumptions Affecting the Normal Cost of UCRP. TFIR Chair Anderson explained that at its last meeting, TFIR was told that the "normal cost" of UCRP would increase from 15.04% to 17%. To learn more about how the normal cost is determined and why it has increased, TFIR Chair Anderson asked UC's Actuary Paul Angelo to brief UCFW on this issue. Mr. Angelo explained that the "normal cost" of the UCRP is the annual amount, expressed as a percent of payroll (the "normal cost rate") that must be accrued over the total career of each employee to fully provide for future UCRP benefits, measured as of the valuation date. The July 1, 2004 calculations of actuarial accrued liability and normal cost incorporate the assumption changes, including a revised mortality basis, that were approved by The Regents in November 2003. The full impact of the long-term assumption changes was offset, however, by a temporary three-year reduction in annual salary-increase assumptions, modeling the effect of current budgetary constraints. The first-year effect of the temporary reduction contributed to a one-time decrease in the Plan's normal cost rate from 15.22% in 2003-2004 to 15.04% for 2004-2005.

The 2005-2006 valuation reflects a gradually increasing normal cost rate as the period of temporary reduction in salary increase is reduced from two years to one year. The 2007 valuation results will reflect the full effect of the long-term assumption changes.

**V. Consultation with Senior Vice President-Business and Finance
Joseph Mullinix**

Senior Vice President Mullinix was unable to attend the meeting.

**VI. Consultation with the University Treasurer
David Russ**

Treasurer Russ distributed the [Investment Performance Summary](#) for the First Quarter 2005. The summary was prepared for the The Regents' Committee on Investments, which met the Monday prior to this meeting. Treasurer Russ directed attention to page 3 showing the quarterly returns on all of UC's managed assets. For UCRP the return for the fiscal year to date was 7.24% versus the 6.69% benchmark. He noted that UC outperformed its benchmark in every asset class. The UCRP Venture Capital fiscal year return, to date, was 107.87%, as shown on page 10 of the Summary. This high return was due to Google. UC owns about 0.8% of Google, and based on Google's current share price, UC's investment is worth about \$2 billion and has appreciated by over 57,000%. On the internally managed 403(b) Funds, the return on the Equity Fund was 8.23% for the fiscal year versus 7.21% for the benchmark. The Bond Fund is outperforming the benchmark and the TIPS Fund is tracking the benchmark. About a year ago, UC started the Balanced Growth Fund, which is very similar to the UCRP asset allocation. Its return was 6.88% versus 6.19% benchmark. Treasurer Russ reported that the UC-sponsored bill in the California legislature ([SB 439](#)) that would provide a limited exemption to the Public Records Act on private equity investments by public entity retirement funds was passed by the Senate and is now in the Assembly. This will allow UC to have/retain access to private venture capital funds, but the university has permanently lost its access to the top performing funds – one of which includes the Google stock – because of the loss of a lawsuit that requires UC to disclose its investments. Treasurer Russ encouraged UFCW members to visit his website for reports on investments and other related issues (<http://www.ucop.edu/treasurer/>).

**VII. Consultation with Vice President-Budget
Lawrence Hershman**

Vice President Hershman reported that the May revision to the governor's 2005-06 proposed budget maintains the compact with higher education. The budget preserves proposals from January for a modest increase in state funding for student enrollment growth, faculty and staff salary increases, and the fall opening of UC Merced, among other things. The May Revision proposed an increase of \$18.9 million for lease-revenue bond payments for UC facilities, \$750,000 to support UC's development of a teacher education program focusing on science and math teachers, along with expansion of a related loan-forgiveness program in the California Student Aid Commission. For the most part, the Legislature's budget proposal is the same on both sides. By a unanimous vote, both houses approved the basic funding in the compact. Both houses restored UC's budget for student academic preparation and provided funding for labor research. The Legislature also approved UC's capital budget. In response to a question about increasing faculty salaries, Hershman said that it would cost about \$50 million to increase faculty salaries by 5%. A 10% across the board increase for all employees would cost the General Fund

about \$270 million. On another note, Hershman reported that the Academic Council had voted to implement the range adjustment on October 1.

VIII. Policy on University Management of Health, Safety and the Environment and Draft Guiding Principles to Implement UC's Policy on Health, Safety and the Environment

John Oakley, UCFW Chair

Joe Adams, EHS Director-Facilities Administration

Issue: The committee was asked to complete its review and formulate final recommendations for the Academic Council. Joe Adams, EHS Director-Facilities Administration was invited to inform this discussion.

Overview. Director Adams distributed a talking paper listing the goals of the revised Policy on University Management of Health, Safety and the Environment. He noted that the current policy dates from 1986, and, in 2001, the campus EHS Directors reviewed that policy and decided that it needed to be updated because it no longer met existing requirements. The directors spent the ensuing two years constructing the draft policy that was before this committee. This past January, the draft policy was reviewed by the vice chancellors responsible for EH&S. Changes were made to the proposed policy based on their comments and in March the proposal was sent out to the chancellors and Senate for review. The impetus for the new policy is the significant financial costs that are accruing to the university every year due to accidental losses. For example, in the past several years, UC has averaged between \$10 and \$15 million per year in accidental losses. This includes everything from Worker's Compensation, medical malpractice, fires, etc. UC's losses are considerably higher than those of other universities and research facilities, particularly with respect to Worker's Compensation claims. Most of these losses are out-of-pocket since UC is self-insured up to the \$2-3 million range.

Discussion. Chair Oakley listed the concerns of UCFW. These are:

- The major focus of the committee was on the language contained in the last paragraph of the prologue where it states that the University's goal is to have zero injuries, environmental incidents, property losses, etc. This is an unrealistic expectation and UCFW would rather have that language changed to the effect that it is the University's goal to have responsible risk management dedicated to using best practices to minimize risk.
- The word "sustainable" should be dropped from the second paragraph of the prologue since that word has political connotations that have nothing to do with worker safety.
- In Component 1 there should be an explicit statement holding contractors to the same high standards as University personnel instead of leaving that to the terms of the contract.
- More clarification is needed in Component 2 with respect to Guiding principle 9 – Obtaining Authorization Prior to Conducting an Activity. This principle states that there should be a local procedure to obtain authorization before conducting an activity, but it does not include a procedure for identifying situations where authorization may be needed.
- A major omission is that there is no designation of responsibility for students who are not serving as employees.
- Component 4 on Implementation should be revised to have an administration-faculty group directly in charge of the implementation process rather having the faculty serve only in an advisory role.

Action: Chair Oakley noted that UCFW would be sending a letter to the Academic Council that contains these suggested modifications.

IX. UCAP's Proposed Modification to APM 220-18 – Criteria for Advancement to Step VI

John Oakley, UCFW Chair

Issue: The Academic Council requested committees' comments on UCAP's proposal by June 10.

Overview: Chair Oakley reported that there was a report issued last year by the Professorial Step System Task Force that raised a concern about gender bias at the Step VI level. At the request of the Academic Council, UCAP recently undertook and completed a study to determine if there was any justification for this concern. The report is persuasive in showing that there is no discriminatory impact at the Step VI level. A related issue that also surfaced as a result of the task force report was that the Step VI criteria are not appropriately differentiated from the Above Scale criteria. To address this problem, the Academic Council charged UCAP with revising the Step VI review criteria to better distinguish it from the criteria for advancement to Above Scale. That has resulted in the proposed modifications to APM 220-18 found on agenda page 25. Highlights of the revisions are that meritorious service is added as a criterion for advancement to Above Scale; both evaluations expressly require a "career review"; both evaluations use "sustained excellence" as the standard for evaluating scholarship; and there has been some elaboration of the required element of national or international recognition.

Comments:

- As written, the revision unintentionally adds an extra year at Step V. This problem could be solved by revising the language as follows: "Advancement to Step VI involves a career review, ~~that~~ usually will not occur after less than three years of service at Step V, and will be granted on evidence of . . ."
- There is arguably a slight dilution of the requirement of excellence in teaching in the Step VI criteria. The revised criteria should also make clear that excellence in teaching may consist of contributions to pedagogy, such as the authorship of a seminal textbook that changes the way a subject is taught.

Action: Chair Oakley will draft a letter to the Council Chair noting UCFW's concerns.

X. Draft Bulletin on UC's Disability Program

Marie Graham, Director-HR&B Policy/Program design

Susan Hughes, Coordinator-HR&B Policy/Program Design

Anne Wolf, Sr. Public Information Representative

Jill Slocum, Coordinator-Academic Advancement

Issue: At the April meeting, Director Graham and Coordinator Slocum agreed to draft an information document aimed at faculty on the one-time supplemental disability plan that will be available in November's Open Enrollment. They agreed to have a draft completed in time for UCFW's review and comment at the May meeting.

Overview: Coordinator Slocum distributed a handout on supplemental disability Open Enrollment communications and training, and a draft bulletin "Disability Benefit Information for Faculty Who Do Not Accrue Sick Leave." She welcomed suggestions on how the document could be made more useful or clear.

Comments:

- Since there are no faculty who do accrue sick leave, the current title should be changed to alleviate any possible confusion.
- A separate document should be drafted for the Health Science faculty.
- In the last entry on the chart - “Covered salary” - it should be made clear that eligible earnings are monthly earnings.

Action: Chair Oakley asked UCFW members to review the draft document and send any additional suggestions to the committee analyst by June 10. Coordinator Slocum agreed to provide electronic versions of the two documents for distribution to the UCFW members who could not attend this meeting.

Action: Coordinator Slocum will update UCFW on the status of this project in June.

Action: UCFW asked that an announcement of the one-time option be included in a fall issue of *The Senate Source*.

XI. Catastrophic Long-Term Care Insurance Options**Robert Newcomer (UCSF)**

This item was referred to the UCFW Health Care Task Force.

XII. Implementation of UCFW Parking Principles**John Oakley, UCFW Chair**

Issue: Campus implementation of the Academic Council’s Parking Principles that were adopted in June 2003.

Discussion: Chair Oakley distributed a memo to UCFW from UCLA representative Susan French in which she reported that while there is a wide availability of parking on the UCLA campus, there is considerable diversion of parking revenues to non-parking projects. Chair Oakley noted that UCFW was continuing to assemble information from the campus representatives on how the UCFW Parking Principles were being implemented on their campuses. He asked those representatives who have not yet submitted a report to UCFW, to do so in time for consideration at the June 20 meeting. The reports will provide a basis for UCFW to seek some recommendations on parking that UCOP administration would be willing to distribute to campus administrations.

Action: Chair Oakley will raise the issue of an OP directive to campus administrations concerning systemwide parking principles when he meets with SVP Mullinix on another matter in early June. He will report back to UCFW at the June 20 meeting.

Action: Committee Analyst will redistribute to committee members a copy of the parking principles that were prepared by the UC Office of Business and Finance several years ago.

Action: Vice-Chair Russell agreed to take the lead on this issue, since this effort will track forward to the 2005-06 academic year.

XIII. New Business: Overview of the Provisions of the RFP for the LANL Contract

Associate Vice President Judy Boyette provided an overview of some of the employee benefit provisions contained in the newly released RFP for the LANL contract. AVP Boyette noted that the RFP requires that the work performed under the contract shall be conducted by a separate corporate entity from its parent organization, and that the employees will be employees of this separate corporation. This means that UC will have to form a corporation with its management partner, Bechtel. The pension and employee issues are very complex and there are many details

that will need to be worked out; however, the RFP is clear on one issue, which is that whomever runs the lab will be responsible for assuming the health care costs for all employees and retirees. Since the RFP was issued, many LANL employees have sought retirement counseling. HR&B plans to augment the LANL counseling staff with campus counselors to help with the workload.

Action: Chair Oakley will ask AVP Boyette for an update on the LANL RFP at the June meeting.

The meeting adjourned at 4:00 p.m.

Betty Marton, Committee Analyst

Attest: John Oakley, UCFW Chair