

Minutes of Meeting

June 13, 2008

I. Consent Calendar

ACTION: The minutes of the May 9, 2008, meeting were approved as noticed.

ACTION: The response to the proposed Office of the President Institutional Research Unit was approved as noticed.

ACTION: The statement on year 2 faculty salary scales funding priorities was approved as noticed.

II. Chair's Announcements

Jim Chalfant, UCFW Chair

Note: This item occurred during executive session; no notes were taken.

III. Consultation with the Office of the President: Academic Advancement

Nick Jewell, Vice Provost, Academic Advancement

Janet Lockwood, Associate Director, Academic Advancement

Jill Slocum, Executive Director, Academic Advancement

• Year 2 Faculty Salary Scale Funding Priorities

ISSUE: VP Jewell noted that the funding for year two of the faculty salary scale adjustments is uncertain, and as a result, his office has been exploring less costly options for partial funding, such as limited range adjustments and scale increases only. For example, based only on general campus faculty figures, a 6% across the board scale increase would cost approximately \$20M, which is roughly the equivalent of a 2.5% COLA increase, but the scale increase would bring more faculty on-scale, while the COLA would not. The projected cost of the merit increases is in the low teens (~\$12-14M).

DISCUSSION: Members posited that reforming the steps, as opposed to the scales, might be a better manner in which to align UC pay with market pay. VP Jewell reiterated that the projections above do not include health sciences faculty and others whose pay is related to the scales, though not defined by them. Further, all employees' pay increases will come from the same finite funding source, and given increasing demands on that funding, such as UCRP contribution reinstatement and health insurance premium increases, tough decisions on compensation throughout UC will have to be made. Members concurred, and added that the intersections of compensation funding are not always clearly explained as one policy change may affect various pay levels quite differently.

• Lecturers with Security of Employment (LSOEs) Pay Adjustments

ISSUE: Non-represented lecturers were one of several categories whose scales were adjusted individually to incorporate market adjustments. Others, whose scales were not similarly adjusted, have complained.

DISCUSSION: Members asked whether LSOEs on each campus were employed similarly and whether they would, for pay adjustment purposes, be better grouped

with faculty or with staff. VP Jewell responded that market data on categories comparable to UC's LSOEs is poor. Members agreed and noted that the faculty scale work group's charge was limited to general campus faculty because of the difficulty of attaining meaningful market data for other instructor categories. It was suggested that CSU or liberal arts colleges may provide a better benchmark for evaluation as faculty there tend to focus more on instruction, as do most LSOEs. Members also noted that while LSOE pay scales may be low, they are not inverted like UC's faculty ranks.

- APM 670 Revision Update
UPDATE: Possible changes to APM 670, which governs health sciences compensation, are being drafted and will hopefully be ready for review by early fall.
- Revised Sick Leave Policies and New Policies Governing Reasonable Accommodation and Medical Separation for Academics
UPDATE: The policies have been approved and will be implemented July 1; they will be revisited after a reasonable time has passed. Work is being started on FAQs, some of which should be available online by the policy's effective date.

IV. Consultation with the Office of the President: Business Operations and Budget Office

Patrick Lenz, Vice President, Budget

UPDATE: VP Lenz noted that both houses of the state legislature had approved the \$98.5M UC budget restoration, though that still leaves UC under-funded for next year. As a result, some significant cuts are still on the table. This situation is made worse by the lack of a long-term strategic funding vision, especially regarding enrollment costs and capital projects, which have been put on hold unless construction has already begun.

DISCUSSION: Members asked whether there has been discussion in Sacramento of tying UC funding to quantified educational outcomes. VP Lenz indicated that he was unaware of any such discussions. Members also asked whether capping enrollments at affordable levels, rather than increasing enrollment with diminishing per student funding, had been discussed. VP Lenz again indicated that no such discussions had taken place. But he observed that UC must develop its own long-term strategic funding plan and not wait for the legislature to fix the state's structural funding issues. As a point of reference, he noted that CSU has an enrollment management plan based on both resources available and standing commitments. Members concurred that applying fiscal "band-aids" year after year was an unworkable practice.

Members wondered what the implications could be if the legislature earmarks funds for unionized employees' pay raises but the general budget does not allow for commensurate increases to non-represented employees. VP Lenz noted that the state budget is still subject to negotiation and that the University's priority is to attain budget parity.

V. Housing Report

Steve Matthews, Senior Program Consultant and Advisor, Office of Loan Programs

ISSUE: Mr. Matthews provided a brief overview of the New Financial Programs Subcommittee's work and outlined its recommendations regarding the Mortgage

Origination Program (MOP) and the Supplemental Home Loan Program (SHLP) (see Distribution 1).

DISCUSSION: Members noted that the percentage of SMG is much greater than the percentage of faculty who participate, so stating that over half the loans go to faculty is misleading. Mr. Matthews observed that the new practice of having The Regents' approve SMG loans for named officials and employees making over \$205K is having the desired effect. Members queried whether more MOP money could come from the short-term investment pool (STIP). Mr. Matthews indicated that for STIP funds, liquidity, not safety, is at issue. Further, total return on investment pool (TRIP) funds also divert STIP monies, thus complicating the issue of increasing funding to MOP, which is already 30% of unrestricted funds. Nonetheless, the policy as written allows for significant campus variability, but differential local housing costs, along with the shift from buyers seeking first homes to long-term and family homes, are straining the funding pools. Members stated that the full impacts of the recommendations should be made clear: the amount of money available for first time home buyers would decrease. Other members added that the shift to providing retention loans could be viewed as "double-dipping". Mr. Matthews noted that such practices are local decisions and not written into the policy.

VI. Consultation with the Office of the President: Human Resources and Benefits (HR&B)

Judy Ackerhalt, Deputy to the Associate Vice President, HR&B

Judy Boyette, Associate Vice President, HR&B

Gary Schlimgen, Director, Retirement Planning, HR&B

Randy Scott, Executive Director, Policy & Program Design, HR&B

- Retiree Recalls

Also with Mona Litrownik, Coordinator, Policy & Program Design, HR&B

ISSUE: The current policy under revision regulates the recall of retirees from staff and SMG pools, not academics. The policy will be sent to The Regents for approval when it is ready.

DISCUSSION: Members stressed the need to emphasize the distinction between staff/SMG recall policy and academic recall policy. Nonetheless, members felt that preserving the flexibility within the status quo was important. Coordinator Litrownik responded that flexibility is often perceived as "wishy-washy" and too easy to violate, thus the push for more specifics. It was also noted that the APM language governing academic recalls has been characterized as too broad, and investigations of how to amend it are on-going.

- UCRS Shared Advisory Board Structure Update

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

ACTION: UCFW will submit a letter to the Academic Council stating their opposition to the proposal.

- UCRP RFP Update

UPDATE: Director Schlimgen reported that the proposals from the vendors had been received and were being analyzed both internally and by Deloitte. Further, the in-house administration of UCRP is being evaluated as another bidder. More information will be available at the July UCFW meeting, when the finalists

should have been selected. They will then be invited to present in person at UCOP, followed by site visits to the finalists. The final evaluation will be made by October, and if an outside vendor is selected, full implementation will be 12-18 months after that.

- UCOP Restructuring Concerns

UPDATE: AVP Boyette noted that her unit's restructuring is still being finalized. More information will be available at the July UCFW meeting. The new Institutional Research Unit is moving forward; the director position has been posted for recruitment, and other positions within the unit should be finalized and posted soon.

- Same-Sex Marriage's Impacts on Domestic Partnerships

UPDATE: Director Schlimgen stated that the University's domestic partnership program will not change in response to the availability of same-sex marriage. If partners in a domestic partnership decide to marry, the shift should be seamless. AVP Boyette added that her office will soon issue a statement clarifying the University's position and practices.

- Total Remuneration Studies

ISSUE: Executive Director Scott noted that the capabilities of contracted consultants to perform comprehensive remuneration studies of UC employees are being evaluated. The results should be available for discussion at the July meeting.

VII. Analyzing and Prioritizing Changes to Benefits Programs

Note: This item occurred during executive session; no notes were taken.

VIII. Task Force on Investment and Retirement (TFIR) Update

Bob Anderson, TFIR Chair

- Amortization of UCRP Surplus

Also with Randy Scott, HR&B, and Paul Angelo, The Segal Company

ISSUE: There are various scenarios by which the University can implement the restart of contributions to the UCRP program, as well as different methods of managing the remaining surplus. UCFW can offer any number of responses, including:

1. Affirming that UCRP needs employee contributions to remain well-funded and endorsing the options presented;
2. Stating the employee contributions shall not exceed a set percentage, such as 5%, which is the CalPERS cap;
3. Stating that employee pay must increase commensurate to the amount of contributions so that no loss in take home pay is suffered by employees. Today, that percent pay increase could be as much as 14%.

DISCUSSION: Members noted the importance of eliciting long-term commitments from The Regents and Sacramento regarding funding for UCRP as well as off-setting pay guarantees. Executive Director Scott added that waiting to select and plan and act would be detrimental to all concerned as doing so would limit the number of viable options. The situation is exacerbated by increasing retiree health care costs, thus the comprehensive costs of retirement and retirement

planning must be clearly illustrated, not just the costs of deferred maintenance to UCRP itself. Members wondered how many options were available in a zero-sum funding scenario and how best to frame the issue: as one of a reduction in take home pay or a reduction in total remuneration? Mr. Angelo clarified that the cost and contribution projections are for discussion only and that there is a lag between policy adoption and implementation, which allows time for greater public education. Further, because any future annual surpluses will be amortized over 30 years, changes in the contribution ratios will be telegraphed well in advance.

- Buybacks

UPDATE: Following Leave without pay (LWOP) or a sabbatical at a reduced rate of compensation, faculty who have received no or reduced service credit can buy it back for cash. The current proposed revisions would amend the amount of time that can be bought back and extend the time individuals have to decide whether to do so (see Distribution 2). This is still under discussion within TFIR.

- Default Fund in the DCP, 403(b), and 457(b) Plans

UPDATE: Currently, funds for those who have not specified an account for their DC plan contributions have been deposited into the UCRS Savings Fund, which has low volatility but carries a low yield; such accounts do not meet new Department of Labor regulations for default investment choices in retirement plans. While UC is not technically bound by these regulations, the UCRS Pathway accounts do meet the regulations for default fund choices. Thus it is proposed that as of October 1, 2008, current employees' new contributions and new employees' contributions will be defaulted into the age-appropriate Pathway fund, rather than the UCRS Savings Account, unless the employee either specifically elected the Savings Fund in the past or elects it in the future. The Office of General Counsel is considering whether also to migrate funds that were previously deposited by default into the Savings Fund.

- Roth 403(b) Investigation Update

With Gary Schlimgen, HR&B

UPDATE: It has been proposed to add a Roth 403(b) option to UC's retirement investment portfolio. Present investigations focus on the payroll changes that would be needed to add another after-tax program and how W-2 reporting and coding issues could be addressed.

IX. Health Care Task Force Update

Rick Kronick, HCTF Vice Chair (via phone)

The Health Care Task Force met via teleconference on May 30th, and Vice Chair Kronick summarized the meeting:

- Health insurance premiums are expected to increase again this year. While the exact percent increase is not yet known, changes in the manner in which the plans are presented to employees may exacerbate the increases. More information should be available by the July meeting.

DISCUSSION: Members wondered whether by limiting the number of providers employees may sign with, UC inadvertently over-empowered the providers and enabled them to raise rates quicker and higher than normal.

- HCTF is sending comments on an HR&B-drafted statement regarding privacy concerns, especially regarding the health risk assessment program and any follow-up that may occur, such as with chronic disease management. HR&B is investigating how to best address these concerns.
- Retiree health obligations are still under-funded, and it is expected that plan design and pre-funding discussions will occur in the fall.
- Rates for supplemental disability coverage will also increase for 2009. This is due to the loss of the DOE lab employees from the UC plan and changes in the demographics of UC's recent open enrollment applicants.
- Health Risk Assessment participation under the new vendor, StayWell, is up to approximately 20% this year, and it is expected to continue to increase as privacy concerns are addressed and positive word-of-mouth spreads.
- FSA and COBRA RFPs are out, and HR&B will select finalists before HCTF next meets (June 26). HCTF volunteers will be invited to participate in the site visits to the finalists.

X. Member Business and Planning

Members

Chair Chalfant, on behalf of the committee, presented long-time friends of and consultants to the committee, Judy Ackerhalt and Jill Slocum, with gifts of appreciation for their dedication and valued service as this was the retirees' final meeting. Members joined in wishing Judy and Jill the very best in their retirement.

Vice Chair Helen Henry then took the opportunity to thank Chair Chalfant for his leadership and élan this past year. Member concurrence was evinced by enthusiastic applause.

Finally, HCTF Chair Pitts and TFIR Chair Anderson were recognized for their admirable stewardship, as was out-going CUCEA Chair Berst.

Adjournment: 4:00 p.m.

Distributions:

1. Summary Draft Recommendations: New Financial Programs Subcommittee
2. Summary of Proposed Buyback Changes

Minutes prepared by Kenneth Feer, Senior Analyst.

Attest: Jim Chalfant, UCFW Chair