UNIVERSITY OF CALIFORNIA **ACADEMIC SENATE**

UNIVERSITY COMMITTEE ON FACULTY WELFARE

Minutes of Meeting
March 13, 2009

I. Chair's Announcements

Helen Henry, UCFW Chair

Chair Henry updated the committee on several items of interest:

- At the February Academic Council meeting, the TFIR-generated and UCFW-approved statement on evaluating investment returns was removed from the consent calendar for discussion.. It will be reconsidered at the March Council meeting.
- The $20M in state funding allocated to UCRP was deleted from the budget during negotiations in the legislative special assembly. President Yudof has indicated that the Office of the President will vigorously pursue the reinstatement of these funds as well as a better public education campaign regarding state obligations and the value of UC.
- The search for a full-time provost continues.
- The decision on whether to outsource UCRP administration has not been made. It is anticipated that the decision will occur in the next few weeks.
- The Senate's feedback on the draft accountability report has been received by UCOP, but at present they are unable to accommodate each specific item. A task force may be formed under the Provost's office to address the issues raised.

II. Consent Calendar

1. Minutes of Meeting of February 13, 2009
   ACTION: The minutes of the February meeting were removed from the consent calendar for further revision.
2. Response to Proposed Revisions to APM 240 (Deans)
   ACTION: The committee approved the draft response as noticed.
3. Date of April meeting: 10th or 17th?
   ACTION: The committee elected to keep the original meeting date of April 10.

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

Patrick Lenz, Vice President

Debbie Obley, Associate Vice President

SUMMARY: Vice President Lenz reported that although UC emerged from the special session with cuts to its budget, it fared comparatively well to other health and human services entities. Removal of the $20M for contribution to UCRP is being fought by University administrators, and President Yudof has made clear his position that the state is obligated to make the contributions. In total, the University budget shortfall is $450M from state sources; a figure which could grow depending on actual state revenues, usage regulations surrounding federal stimulus money, and the outcome of the May special election. The final outcome will not be known until the May budget revision is finalized.

The May special election contains six ballot initiatives related to the state budget, though only five relate to income generation and usage: Proposition 1A extends some taxes for one year and others by two, contains a spending cap, and increases the state "rainy day" fund. Prop 1B would adjust the Prop 98 repayment schedule, but if 1A does not pass, 1B is moot. Prop 1C would secularize lottery revenues, and 1D would temporarily redirect cigarette tax and other revenue to the general fund. Prop 1E is related to funding for mental health services and is a redux of previous ballot measures. Prop 1F would freeze legislators' salaries when the state is running at a deficit, but would have little actual fiscal impact; it is punitive only. The Regents are expected to endorse Prop 1A at their upcoming meeting. (See also Distribution 1.)

DISCUSSION: Members asked how the faculty could help lobby the public and the legislature. AVP Obley noted that the University is limited in its capacity to campaign publicly, although once The Regents have taken a position on an item, information can be shared. VP Lenz added that state-sponsored higher education is at a crossroads: absent improved public financing, UC and other institutions of public higher education must become private or accept diminished quality in achieving their educational and research goals. Nonetheless, closer alignment between UC's and the state's priorities could do much to enhance the University's likelihood of receiving increased funding. Members rejoined that UC's priorities ought to be the state's priorities: improving the pipeline of health care professionals, producing more science and mathematics teachers and training programs, and the like, must be priorities for both; the state and the citizenry need to recognize the reciprocal relationship between UC and the public weal.

AVP Obley reported that President Yudof has met with campus leadership to discuss responses to the fiscal crisis and to seek reassurance that campuses are proceeding thoughtfully. Members noted that their perceptions of campus responses are less comforting than President Yudof's impressions, especially since most campus Senate leaders and relevant local committees so far remain outside the consultation process. AVP Obley indicated that campus plans for responding to the fiscal crisis are being drafted and they should be available for review soon.

Members also asked about the fate of the proposed oil severance tax, and VP Lenz replied that the bill's sponsor is reevaluating the text of the bill. It probably will not resurface until the outcome of the May election is known, and while many think it is a good idea, many others are reluctant to restrict general fund usage.

Members then asked whether the plan to have professional school fees lag comparable private school fees by 5% still had traction. VP Lenz indicated that he was unaware of any such plan, but he noted that differential fees by majors and adjustments to non-resident tuition were on the table. AVP Obley added that it was unlikely that fees could be increased to such a level due to a lack of political support, despite the state's and University's fiscal straits.

Chair Henry turned to UCRP funding and wondered what would happen if UC was unable to convince the state to reinstate its portion of the contributions. VP Lenz indicated that there was consensus among The Regents that the restart has been delayed too long, but that it was unclear what would happen if the state did not contribute by the April 15, 2010 start date. Indeed, it is unclear what may happen if UC proceeds with starting contributions without accompanying state contributions.

Finally, members asked about the levying of course-specific fees by departments. AVP Obley sought clarification as to whether these were lab-related fees, and it was explained that they do not appear designed to off-set course-related expenses, but rather to generate income. AVP Obley indicated she would investigate the matter further and report back.

IV. Follow-up Discussion

Note: Item not addressed.

V. Retiree Health

Mark Esteban, Director, Policy and Program Design, HR&B
Gary Schlimgen, Director, Policy and Program Design, HR&B
Rick Kronick, HCTF Chair

ISSUE: HCTF Kronick noted that the committee is due for an update on the important topic and that some questions had come in from the campuses which underscore the timeliness of this discussion. It is intended to provide both background to understand our present circumstances as well as framing for possible future changes. HR&B Executive Director Scott then outlined the new organizational structure and process for this unit (see Distribution 2). Next, Directors Esteban and Schlimgen summarized the history of retiree health benefits at the University, highlighting the shift to graduated eligibility for full benefits for employees hired after January 1, 1990, as well as the current design and funding status of the programs (see Distribution 3).Executive Director Scott described the Presidential Task Force on Benefits Review. It will consist of a steering committee consisting of UCOP executive leadership and a working group which will have Senate representation.

DISCUSSION: Members asked whether SMG personnel were offered faster vesting for this graduated coverage, and Executive Director Scott indicated that as part of individual negotiations at the time of hiring, faster vesting was sometimes offered. The money to cover retiree health costs is generated on a pay-as-you-go basis, funded by a percentage levy on payroll, unlike UCRP which can use its investment returns. If the University contribution exceeds the gross premium for the chosen plan, the remainder is used toward Part B premiums. Presently, the state contributes ~$44M for retiree health costs, which is then given to the campuses in standard block grants that can be further divided by the campuses. HCTF Kronick added that approximately 70% of retiree health costs are paid by funds other than those contributed by the state.

Members asked if the payroll levy was based on 100% of UCRP-covered payroll. Director Esteban indicated that, as with UCRP, overtime is not covered, and other aspects, such as HSCP X, Y, and Z funds, are counted the same as in UCRP. Members also asked if Part D coverage was available, and Director Esteban noted that UC retirees do not need to enroll in Part D (and are actively discouraged from doing so), because UC retiree health benefits provide better coverage than is available under Part D. Members questioned the provision of dental benefits, wondering how often negotiations occur. Executive Director Scott replied that negotiations occur annually, and that the current plan structure is expected to remain unchanged.

Members clarified that the projected increases in costs were due primarily to standard inflationary assumptions as well as, to some extent, the growing population of

UC retirees, and then asked as to reporting retiree health unfunded liability, under GASB 45 requirements. Director Schlimgen noted that The Regents established a trust from which payments are made, but the trust has not been prefunded, and receives annual contributions roughly equal to the anticipated payments in the same year. The Regents receive reports on the trust's status on a regular annual schedule (each November). Funds in the trust cannot be used for other purposes absent court orders or complete overhauls of regulations governing the system. Excess funds, if any, could yield a diminution of contributions, but it cannot be repurposed. However, there is currently only a de minimus amount of money in the trust, and, as stated earlier, retiree health benefits are funded on a pay-as-you-go basis. The Creative Budget Strategies Task Force is considering these issues of long term funding and budget stability, too, not just steps that need to be taken in the short term. Consequently, plan design may be impacted, but only after thorough consultation.
Note: Discussion continued in executive session, during which no notes were taken.

VI. Report: UCFW Task Force on Investment and Retirement (TFIR)
Bob Anderson, TFIR Chair
Note: Item not addressed.

VII. Consultation with the Office of the President – Academic Advancement
Pat Price, Executive Director
Janet Lockwood, Associate Director
Jim Litrownik, Coordinator, Data Management and Analysis

1. <u>Faculty Salary Lags</u>
   ISSUE: Chair Henry noted that the only new information in Enclosure 5 was the updated table on scale deficiency on page 1.
   DISCUSSION: TFIR Chair Anderson noted that most new hires are off scale, which, combined with the fact that UC's comparator institutions' salaries have risen faster than the CPI, only serves to illustrate the accepted fact: UC's salary scales are significantly deficient. Coordinator Litrownik added that the chart can be adjusted to more accurately reflect decreased projected raises (1.5%, not 4%) at the comparators, which would illustrate that UC scales lag by only 11.2%, as opposed to 14%.
2. <u>New Hires Profile</u>
   ISSUE: A demographic profile of general campus new hires over the last five years has been compiled.
   DISCUSSION: Members inquired as to the populations included in the study, and Coordinator Litrownik indicated that law schools were included but that for many aspects of health sciences hires, data were not available. Executive Director Price noted that a better methodology that will allow for more robust comparisons is being developed.
3. <u>Process for Responding to the Financial Crisis</u>
   ISSUE: Associate Director Lockwood opened by stating that various groups are being formed in OP and elsewhere to devise strategies to respond to the current financial crisis. One such group, at the request of Interim Provost Pitts, is to be convened by Senate Chair Croughan and consist of representatives from UCAP,

UCPB, and UCFW. Academic Advancement personnel are examining historical precedents, such as documentation from the 1979 fiscal emergency and external documents, like AAUP guidelines (see Distribution 6).

DISCUSSION: Members noted that UC has explicitly not endorsed the AAUP guidelines. AD Lockwood responded that all the documents mentioned are resources to help shape process and ideation, not suggestions or proposals. Members then asked what the campuses' standing policies on financial emergency were, and AD Lockwood indicated that that aspect of background information gathering is still proceeding. Senate Vice Chair Powell observed that many campuses are likely to have diverging policies, if indeed written policies exist.

Chair Henry asked how, given that processes are still being established, UCFW could put ideas on the table for discussion. AD Lockwood indicated that suggestions could be sent via the committee representative, when named, to the Senate workgroup on this issue. Chair Henry also asked how this emerging group was expected to interact with other fiscal emergency groups, such as the Creative Budget Strategies Task Force. Senate Vice Chair Powell posited that the two groups may work in parallel, though not necessarily in cooperation, given that they will have different foci: one will emphasize institutional measures and the other the faculty's preferences.

Members asked whether one systemwide solution was being sought or whether a framework within which each campus could act independently is the goal. AD Lockwood speculated that both might eventually be necessary; that is, the development of systemwide guidelines that allow for campus flexibility due to each division's unique circumstances. Members pressed, using the example of merits: could one campus suspend merits while others proceeded with them? Senate Vice Chair Powell thought not, citing the underlying principles of that example; capital development projects, however, could be evaluated with a different metric, due to their decentralized funding sources. Members sought clarification for employment matters, though, noting represented labor groups could not be handled on a campus-by-campus basis. HR&B Executive Director Scott stated that such assertions were only partially true: local autonomy exists within many union contracts due to geographic considerations; other issues cannot be handled unilaterally without reopening contract negotiations. TFIR Chair Anderson added that although layoffs are the prerogative of management, any such actions would be considered in subsequent negotiations.

Note: Discussion continued in executive session, during which no notes were taken.

VIII. Consultation with the Office of the President – Human Resources and Benefits

Randy Scott, Executive Director, Strategic Planning and Workforce Development

1. <u>UCRP Update</u>

   UPDATE: Executive Director Scott reported that no decision has yet been made on whether to outsource the administration of UCRP. He also noted that term limits and other personnel turnover issues necessitate continuous education campaigns at the state capital regarding state obligations to UC and the philosophical tenets underlying those obligations.

2. ACA 5 Update
   Note: Update occurred in executive session, during which no notes were taken.

IX. Total Remuneration

Randy Scott, Executive Director, Strategic Planning and Workforce Development
Bob Miller, Mercer Consulting
Sherry Deng, Mercer Consulting

BACKGROUND: In 2005, then-AVP Boyette requested salary increases from The Regents, but needed supporting documentation to justify the request. As a result, a preliminary remuneration study was conducted, which was expanded upon in 2006. In 2007, a new, comprehensive study was commissioned, with which UCFW and others took issue on methodological grounds. Today's presentation is the third in a series of the 2009 Total Remuneration Study and focuses on the analytical methodology for the cash compensation of faculty. Previous presentations occurred in December 2008 and February 2009; the final presentation, bringing all the preliminary findings together, will be ready for the April UCFW meeting.

DISCUSSION: Members noted that better explanatory text would be useful, making clear which populations are included in the study and which are not; the groups omitted, such as astronomy and agronomy, should be listed along with the reason for their omission. Members also suggested several technical changes to the extant accompanying text, like clarifying the removal of state funding for certain groups as opposed to the internal suspension of funding for them and making more precise certain non-cash compensation aspects of the report (e.g., faculty are not eligible for overtime).

Members raised concerns over the methodology used, specifically, that market benchmarks were found using medians while UC norms were found using means. Mr. Miller explained that such practice was industry standard to eliminate outliers in the market population and to compensate for some UC subpopulations' small-Ns. Several members objected that comparing UC means to market medians was an apples-to-oranges comparison. Subsequent iterations of the report will include more specific textual explanations.

Senate Chair Croughan inquired whether the private schools could be isolated in the final report since they are UC's de facto competition. Executive Director Scott noted that over the years, the number of comparators had diminished from 26 to the present 8; it is not clear that having only 4 comparators would yield useful data, especially for benefits valuations. Executive Director Scott said that he would explore the matter.

Note: The preliminary results were presented in executive session, during which no notes were taken.

X. Housing Programs Funding Update

Ruth Assily, Director, Loan Programs

UPDATE: Director Assily reported that no allocation increase has been asked for until July 1, 2010, as there is still approximately $500M in unallocated funds for the Mortgage Origination Program (MOP), which should keep the plan adequately funded based on projections from past loan volumes. She also reported that The Regents may alter the access guidelines to the Short Term Investment Pool (STIP) to off-set May 2008 changes to the Total Return Investment Pool (TRIP), thereby decreasing the percentage of STIP funds available to the loan programs, but not by an amount that would necessitate revising MOP guidelines. She noted, too, that MOP eligibility is now easier than through private lenders; however, MOP guidelines are also slated for evaluation. Contingency plans for maintaining loan program solvency include adjusting the percentages available to the plan from STIP and TRIP, liquidation of holdings, and reallocations between medical center capital projects and other building funds.

DISCUSSION: Members inquired whether there had been default or collection problems, and Director Assily indicated that due to payroll deduction, such issues are minimized. Nonetheless, changes in conditions of employment or repayment terms do occasionally cause losses to the program. TFIR Chair Anderson asked after the guarantees offered by the program. Director Assily noted that her office will buy back delinquent loans within 90 days and that they rely on other OP risk management and insurance offices for risk assessment and management. The hope is to smooth any losses and use the STIP fund to off-set defaults on a case-by-case basis. Chair Henry asked how many loans were at risk and how many had gone under. Director Assily will investigate the specific numbers, but anecdotally reported that condominium loans seem to have been hit the hardest. Members also queried whether non-tenured faculty present additional risk to the program. Director Assily replied that such cases are evaluated on an individual basis, but typical procedure is to short sell rather than risk a larger loss through foreclosure, if necessary. Members also asked whether immediate past borrowing trends will impact the program's funding. Director Assily indicated that funding projections are based on projected recruitments, not past usage.

Members then sought clarification on how large loans impacted the distribution chart. Director Assily noted that while there are some extremes in loan size, most loans are similar in size. Members asked for size of the SMG portion of the program and whether that group received reserved funds. Director Assily will verify the exact numbers, but she stated that the Senate actually receives the highest set-aside. Members also inquired whether the program had been able to accommodate all qualified applicants. Director Assily indicated that those decisions are made at the campus level; her office only gives block grants to campus counterparts. Unverified figures show that nearly 60% of new hires receive loans, and the overall distribution is approximately 80-20, recruitment-retention.

Finally, members asked as to the size of the loss-reserve fund, and Director Assily noted that it was about $30M. Members noted that new tax programs may alter lender practices and borrower behaviors, and they strongly suggested that the reserve fund be increased. Director Assily agreed in principle, but questioned where to get more funds.

XI. Continuing Issues for Discussion

1. Family Friendly Policies

   A. Report: Back-Up Child Care

   REPORT: UCB Representative Braunstein reported that his campus has initiated a pilot program in which all assistant professors will be automatically enrolled in a program to provide emergency back-up care for dependents, regardless of age, at a significantly subsidized rate. The contract includes 2-part pricing: a fixed fee for the campus and a co-pay for program users. Although the pilot is limited due to budgetary constraints, the potential for scale leveraging is great.

DISCUSSION: Members asked whether other campuses were invited to participate in the pilot. Rep. Braunstein indicated that other campuses had been made aware of the pilot, but was unclear as to why no others joined. Members also asked for a program cost overview, and Rep. Braunstein noted that he did not know the final costs as he was not part of the negotiating team. Members inquired if the vendor operated statewide, and Rep. Braunstein noted that the vendor operates nationally. Members also asked whether this perk could off-set or diminish salary raises. Rep. Braunstein indicated that while the specific numbers are still not known, it is believed that having the option available will do much to address female faculty attrition and aid in the recruitment of younger faculty, and eventually, graduate students and post docs. Members noted that out-of-pocket savings for a co-pay rate of $2/hour for child-care is significant.

Chair Henry asked how the pilot will be evaluated, and Rep. Braunstein indicated that after the pilot period (2 years) has elapsed, detailed surveys of both users and non-users will be conducted. Members noted that the value of work not lost should be included in the final report as well.

Members then asked how the pilot was being funded. Rep. Braunstein said that they were able to use grant funding for planning the project, but the actual operating expenses are from a campus redirection of funds. Members then asked how split appointments were to be handled, and Rep. Braunstein indicated that such topics as that and "trailing spouses" were subjects of on going discussion.

B. Update: Fee Waivers

UPDATE: Chair Henry reported that she had asked consultants in HR&B to investigate and report back on pre-tax funding options for fees and other costs and that they are still investigating.

2. UC Faculty Salary Scales

ISSUE: Riverside Representative Morton asked the committee whether it would be useful to have a revised scale plot showing how UC would compare if all faculty were paid on scale, rather than the current plots which reflect actual pay versus the comparators. Chair Henry noted that it is nearly axiomatic that UC's scales are inadequate, as illustrated by the relevant table in Enclosure 5.

DISCUSSION: Members suggested that such information could be even more confusing to the public, who already find UC pay practices murky. Indeed, it is unclear to many within UC whether off-scale funding is paid directly from 19900 funds or from external sources. Others noted that more interesting, perhaps, would be studies of the treatment of faculty who are paid on scale: are they viewed as less meritorious, or are they victims on ageism? Members argued that in terms of public relations, this effort may rapidly reach a point of diminishing

returns, but internally, it could be very informative. The audience and goal must be more clearly stated and considered carefully at each phase of reporting.
ACTION: Representative Morton will present a more detailed item at the April meeting.

Adjournment: 3:55 p.m.

Distributions:
1. Regents Item F4: Update on the Special Session Recommendations for the State Budget (for meeting of March 19, 2009)
2. HR&B org chart
3. Overview of UC Retiree Health Program (ppt slides)
4. UC Medical Premium Cost for February 2009 by Age
5. UC Quarterly Statistical Report: Group Medical Plans
6. Suggested Financial Exigency Policy from the American Association of University Professors (AAUP)

Minutes prepared by Kenneth Feer, Senior Policy Analyst
Attest: Helen Henry, UCFW Chair