

**Minutes of Meeting
July 18, 2008**

I. Consent Calendar

- Minutes of June 9, 2008 meeting

Note: Item not addressed.

II. Chair's Announcements

Note: Item not addressed.

III. UCRP Update

- RFP Update
Mike Baptista, Director, HR&B Information Systems and Support
John Kessler, Deloitte Consulting
Melanie Langsett, Deloitte Consulting
David Russ, Deloitte Consulting

Note: Item occurred in executive session; no notes were taken.

- ACA 5 Update
Judy Boyette, Associate Vice President, HR&B
Randy Scott, Executive Director, Policy and Program Design, HR&B

Note: Item occurred in executive session; no notes were taken.

IV. Faculty Salaries

- Year 2 Salary Scale Update
Wyatt "Rory" Hume, Provost
Nicholas Jewell, Vice Provost, Academic Advancement

UPDATE: Provost Hume noted that maintaining the integrity and viability of the faculty salary scales remains a high priority: UC is one university with one faculty on one scale. Provost Hume also noted that tough choices balancing short-term campus needs with long-term systemwide financial health must be made. Vice Provost Jewell concurred, observing that continuation costs and extending pay revisions to the health sciences faculty and extension researchers, for example, place additional strains on finite pools of money.

DISCUSSION: Chair Chalfant asked how the chancellors had responded to the Senate's salary priorities. Vice Provost Jewell indicated that while budgetary allocations will be discussed by the Faculty Salary Work Group, it is first necessary to know the size of the pot, especially as costs for other title sequences could require an additional 50% over the allocated funds.

Chair Chalfant thanked Provost Hume for his leadership and dedication; members joined in applauding him.

- Total Remuneration Study 2007
Randy Scott, Executive Director, Policy & Program Design, HR&B

UPDATE: Executive Director Scott reported that both Hewitt and Watson Wyatt are devising total remuneration study methodologies, incorporating the feedback sent by UCFW in May. He also noted that Mercer has comparator data for medical center employees, and Hewitt has the same data for general campus faculty and staff; Watson Wyatt has only the cash compensation component. Before proceeding to the comprehensive analysis, HR&B will solicit UCFW's input on specific metrics.

- HSCP APM 670 Update

Janet Lockwood, Associate Director, Academic Advancement

ISSUE: Academic Advancement is investigating how to best emend APM 670, which governs the health sciences compensation plan (HSCP). To facilitate discussion, the Academic Advancement office has prepared a working draft of possible amendments (see Distribution 1).

DISCUSSION: Chair Chalfant suggested that discussions of the HSCP include retirement/benefits concerns and that there be TFIR representation on any work groups that emerge. Members queried whether there were online tools to help HSCP members self-calculate their X, Y, and Z pay components; there are not. Vice Chair-Elect Powell noted that for most HSCP participants, surgical units excepted, the goal is for pay equivalent to 1.3 of base. Members added that department chairs in the medical schools generally have more budget flexibility than chairs of academic departments. Furthermore, structural differences between the funding models of the medical schools and the general campuses make clinic-generated income (e.g., extramural funding) more directly relevant to total remuneration considerations.

V. UCFW Task Force on Investment and Retirement (TFIR) Update

Bob Anderson, TFIR Chair

- Rehired Retiree Policy

UPDATE: Both TFIR and UCFW were concerned that the proposed policy was too restrictive and might limit significantly the options for "phased" recall or retirement for faculty. Although the policy excludes faculty unless they are in the SMG group, the concern was that this policy would bring about changes in the policy covering faculty. Executive Director Scott noted that the draft of the proposed policy will be updated to reflect feedback received from both bodies and then recirculated for further evaluation. It is slated to be considered by The Regents in September, pending the outcome of the review process. Also, seven other SMG policies are being reviewed.

- Buyback Concerns

Gary Schlimgen, Director, Policy & Program Design, HR&B

ISSUE: It is proposed to extend the amount of service credit that can be "bought back" and also the time period in which buybacks may occur, for UCRP members who take LWOP or leave with reduced pay or credit.

PART I: The methods of paying for the buyback may be expanded to allow full-credit purchasing for cash payments via pre-tax withholdings and to allow fund transfers, from a person's defined contribution plan funds, for example, directly into UCRP. TFIR has no objections to expanding the methods of acceptable payment for buybacks: UCRP will receive adequate payment, regardless of source, and the proposal will afford greater opportunities to plan members.

PART II: Currently, buybacks are limited to a maximum of two years per leave, and participants must elect to buyback their credit within three years of their return. Other retirement systems are less restrictive, but they risk adverse plan selection: Participants may purchase credits at a rate disproportionately below their current compensation level, which could underfund the program since those participants' deferred credits would not accrue adequate interest to meet the payout demands required by those participants' later highest average plan compensation (HAPC) levels. There are also perception issues that must be considered: Individual cases may appear questionable to the public, and faculty employed by Howard Hughes Medical Institute (HHMI) and the Ludwig Fellows present unique situations. Both groups are on campus, in labs, and contributing to the University's mission, but they are considered to be on leave without pay (LWOP) as they are paid by outside entities; the new proposal would allow HHMI faculty and Ludwig Fellows to buyback their entire period of employment, which could be cast in a negative light.

DISCUSSION: Director Schlimgen noted that the cost and rates of the buybacks are individualized, regardless of compensation, so that heavily compensated employees would face a higher cost for any particular buyback. Further, Director Schlimgen reported that including HHMI faculty and Ludwig Fellows in UCRP has a long history already: Plan participants who worked for either group before 1997 were "grandfathered" in previous unlimited buyback policies, while those after 1997 are limited to two years only. Members noted that many HHMI faculty and Ludwig Fellows are among the top investigators at their campuses and that they conduct research in UC's name; disallowing them full UCRP participation seems disingenuous.

Members questioned whether the actuarial calculations include the investigators' academic programmatic units (APUs). TFIR Chair Anderson answered yes, and clarified that HAPC projections were based on covered compensation. Health Care Task Force (HCTF) Chair Pitts observed that the academic personnel manual (APM) limits increases in APUs to .1 per annum.

Other members wondered whether, if investigators were buying back their time at their own actuarial rate, the amount bought was irrelevant. TFIR Chair Anderson replied that if the buyback was carried out correctly, there would be no adverse impact on UCRP solvency, but there was a potential for abuse. Given that HHMI/Ludwig investigators are also enrolled in external pension plans, members queried whether allowing greater UCRP buybacks would constitute double-dipping. Vice Provost Jewell indicated that costing policy precludes such activity.

HCTF Chair Pitts noted that public perception issues center on who is actually funding the buyback: If it is the individual, there should be no concern, but sometimes "gentlemen's agreements" have been reached in which it is not the beneficiary that pays for certain benefits, but the campus, as part of a recruitment or retention package. Senate Vice Chair-Elect Powell cast the issue as one of equity, not special advantage, as HHMI/Ludwig investigators were promised equal benefits. TFIR Chair Anderson added that "true-up" provisions prohibit eleventh-hour buybacks: Faculty aware of imminent large pay increases (>15% within one year) would not be allowed to buyback additional old leave time at their pre-increase HAPC rate.

ACTION: The committee endorses both parts of the proposal and will send a letter of support for participant parity, noting in particular that annuitizing DC money for DB buybacks does not constitute two plans.

VI. HR&B Restructuring Update

Note: Item not addressed.

VII. Social Security Opt-In

Joan Manning, Coordinator, Policy & Program Design, HR&B

ISSUE: From 1955-77, employees of public employers with public pensions were allowed to opt-out of social security and Medicare contributions. Since then, participation has been mandatory. UC's remaining non-coordinated employees must elect, as a group, to participate. The election process is expected to take up to two years due to the number of negotiations involved. Further, electees and the University would be required to pay retroactive Medicare taxes to a maximum of five years. Electees must also be active employees. Based on a May 2008 snapshot of non-coordinated employees, the total cost to the University could be as much as \$18M. (See Distribution 2.)

DISCUSSION: Chair Chalfant asked whether HR&B had communicated these findings to the non-coordinated employees. Coordinator Manning responded that they had not, as they must first notice the unions and perform a cost-benefit analysis. TFIR Chair Anderson observed that enrolling the non-coordinated employees in Medicare would save UC money in the long run. Members concurred, adding that it is an equity issue as the rules have changed over time.

ACTION: UCFW will continue to monitor this issue.

VIII. 2009 Health Plan Renewal

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

Note: Item occurred in executive session; no notes were taken.

IX. FSA and COBRA RFP Update

Lily Pang, Director, Health and Welfare Administration, HR&B

UPDATE: HR&B issued an RFP for both the FSA and COBRA administration this past spring. The FSA RFP allows for comparison with the current vendor and emphasizes partnership, performance, and customer service. The COBRA RFP could include all or only selected services. It is expected that the COBRA selection will be made in time for a January 2009 start date and that the FSA selection will be made in time for a May 2009 start. Both Vice Chair Henry and HCTF Chair Pitts participated in the site visits to the finalists. HR&B is making its final review and will soon issue its recommendations.

DISCUSSION: Vice Chair Henry noted that the webinars in which she participated were informative. Members asked whether it was anticipated that transitioning to new vendors would be problematic. Director Pang responded that HR&B already has a good transition system in place. Members then queried whether the plan parameters would change with the vendors. Director Pang indicated that the parameters would remain the same; only the service will change – for the better.

ACTION: UCFW will ask for a final update in the fall.

X. SMG Salary Proposal

Dennis Larsen, Director, Resource Administration, HR&B

ISSUE: This is a priority for The Regents due to recent events. Previous SMG salary policies were vague in their definition of the employee population that required Regental approval; the current proposal clarifies that group, which totals between 350-370 individuals. The new proposal also includes more definitions and has added performance criteria. HR&B will address faculty concerns regarding internal transfers in the next iteration of the proposal.

DISCUSSION: TFIR Chair Anderson wondered why SMG pay mid-points should be tied to the market, but not faculty mid-points. Other members noted that reporting non-compliance is not the same as fixing non-compliance. Director Larsen indicated that SMG pay has historically been tied to the market and that accountability is enhanced through stricter pre-approval guidelines and post-audit redress/corrective actions policies. Currently, exceptions in SMG pay are common as the policy is so old. Chair Chalfant stated that UCFW looks forward to refinements of the proposal and to reiterating Senate policy that competitive faculty and staff salaries are a higher priority than SMG salaries.

ACTION: UCFW will continue to monitor this issue.

XI. Member Business and Planning

Note: Item not addressed.

Adjournment: 4:00 p.m.

Distributions:

1. Outline of Proposed Revisions to APM 670, Health Sciences Compensation Plan and Guidelines on Outside Professional Activities by Health Sciences Compensation Plan Participants
2. Section 218 Agreement
3. JC2MTB re Default Fund for Retirement Savings Plans (DC, 403(b), 457) (June 16, 2008)
4. UCLA Faculty Association 2MGY re Faculty Salary Scales (June 24, 2008)
5. TFIR 2UCFW re Recommended New Funding Policy for UCRP (June 24, 2008)

Minutes prepared by Kenneth Feer, Senior Policy Analyst

Attest: Jim Chalfant, UCFW Chair