

UNIVERSITY OF CALIFORNIA

ACADEMIC SENATE

UNIVERSITY COMMITTEE ON FACULTY WELFARE

MINUTES OF MEETING

FRIDAY, OCTOBER 13, 2006

UCOP ROOM 12322

I. Chair's Welcome and Announcements

- **Susan French, UCFW Chair**

UCFW Chair French welcomed new and returning UCFW members and consultants. After brief introductions, Chair French provided members with an overview of her priorities for the year, including: continuing UCFW's work on the Mercer total remuneration report; tracking the Wellness Pilot Project with HR&B; faculty recruitment, retention and retirement issues; childcare facilities and faculty housing; increasing faculty compensation and fixing the faculty salary scale system; and continued efforts to align Academic Senate and UC Office of the President (UCOP) parking principles.

II. Consultation with UCOP – Human Resources and Benefits (HR&B)

- **Judy Boyette, Associate Vice President, HR&B**
- **Randy Scott, Executive Director, Policy and Program Design, HR&B**
- **Bob Miller, Mercer Human Resource Consulting**
- **Richard McEvoy, Mercer Human Resource Consulting**
- **Amol Mhatre, Mercer Human Resource Consulting**
- **Tim O'Beirne, Deloitte Consulting**

A. Mercer Report: Adjusted Employee Salary Data

REPORT: Bob Miller presented the Mercer report on "Updated Impact on Take-Home Pay of Changes in Health Care Premiums – October 13, 2006," via PowerPoint. Included were take-home pay key assumptions, and charts showing the impact on take-home pay of a faculty member with no merit increase but with a 2% COLA, and a faculty member with an 8% merit increase. The analysis evaluated a July 1, 2006 paycheck, and a July 1, 2007 paycheck, and took into account actual 2006 and 2007 Health Net HMO employee medical contributions.

DISCUSSION: UCFW Chair French pointed out problems with the COLA and merit increases in the presentation, and how they actually equate to a lesser increase than stated, affecting faculty recruitment and retention. One UCFW member suggested that the HR&B website should include a calculator that would allow employees to enter their salary, taxes, and compare medical plans, etc. Most UCFW members concluded that this presentation does not help UC's competitive position; that it is a factual presentation only; and that clarifying points must be added before it is presented to The Regents. Executive Director Scott agreed, and reported that such clarifying points will be added.

ACTION: UCFW will follow-up on this issue at its November 17 meeting.

B. Mercer Report: Impact of Retirement Programs on Workforce Behavior

REPORT: Amol Mhatre distributed Mercer's "Impact of Retirement Programs on Workforce Behavior – Review of Feedback and Next Steps – October 13, 2006." He briefly reported that the first half of the report is a summary of Mercer's study proposal,

and the remainder is a summary of UCFW's comments that were submitted over the summer concerning the first draft of this report (presented to UCFW on July 7, 2006).

DISCUSSION: Executive Director Scott requested that UCFW appoint a subcommittee to work with him and Mercer in moving the analysis forward, to which Chair French agreed to accomplish in executive session this afternoon. Executive Director Scott then announced that HR&B would like for The Regents to view and understand the workforce analysis, which probably will occur after the January 2007 Regents' meeting. He also expressed his view that this analysis should be integrated into other related UCFW projects for The Regents.

ACTION: UCFW will appoint a subcommittee to work with Executive Director Scott and Mercer on the Mercer Workforce Impact Report (see Executive Session, Item IX, below).

C. Update on Analysis of UCFW April 21, 2006 Discussion Paper Related to Active and Retiree Health Benefit Changes

REPORT: Executive Director Randy Scott noted that although the 2005 Mercer total remuneration analysis is currently being re-worked for 2006, the 2005 analysis is being applied for this specific report to UCFW. He then reviewed the analysis along with Bob Miller, reporting the projected impact on salaries if salaries were first brought to market levels, then greater salary increases were applied to offset the restart of UCRP contributions. The slides reviewed showed the value of retirement benefits (UCRP and retiree medical benefits) to the individual, and compared to the market. The value is not money that The Regents can save, but rather, is based on what it would cost to replace these benefits should one go outside of UC to purchase them.

DISCUSSION: One UCFW member asked how much it would cost UC to bring faculty salaries up to market, to which Tim O'Beirne provided an estimate of about \$120 million. The UCFW member emphasized that this figure is extra cash that UC would have to come up with, outside of UC's current budget. In contrast, UC would need approximately \$5.9 million to raise employee salaries just to cover the estimated costs of the restart of contributions to UCRP. Executive Director Scott reported that this analysis will be presented to The Regents in January, and welcomed UCFW's review and comments before then.

ACTION: UCFW will review the analysis further, and follow-up on this issue at the November 17 UCFW meeting.

D. Reinstatement of Contributions to UCRP/Collective Bargaining

REPORT: Executive Director Randy Scott reported that The Regents will not be making any decisions concerning the restart of UCRP contributions, or the employer/employee contribution percentages, at their November meeting. These issues will most likely be on The Regents' agenda in fall 2007 or early spring 2008.

DISCUSSION: One UCFW member reminded those present of UCFW's position concerning the level of employer/employee contributions going into UC's defined benefit plan. Associate Vice President Boyette then reported that union negotiations are ongoing, and bargaining decisions will be influenced by the 2007-08 UC budget information, which will be available later this month. UCFW members emphasized the importance of looking at employees' total compensation, and asked questions concerning the COLA proposal in the 2007-08 budget. Executive Director Scott suggested that UCFW members ask Vice President Hershman about the budget proposal later today.

ACTION: UCFW will follow-up on this issue throughout the 2006-07 year.

E. Update on the LANL Transition and Asset Transfer [none; to be rescheduled]

III. Consultation with UCOP – Budget Office

- **Larry Hershman, Vice President, Budget**

REPORT: Vice President Hershman updated committee members on the status of the state budget, including the state's ongoing structural debt problem totaling approximately \$5 billion. UC's budget plan for 2007-08 includes a four percent increase in funding according to the Compact with the Governor, plus extra money for enrollment growth. Student fee levels are unclear right now and will be discussed by The Regents at their November meeting, when UCOP is scheduled to present the 2007-08 budget plan. Retirement matters will also be discussed at the November Regents' meeting, including implications for the restart of UC employee and employer contributions to the UC Retirement Plan (UCRP), and the state's obligation to fund UCRP. Other issues under consideration include how to fund employer contributions to UCRP, and funding sources for employee salary increases.

Vice President Hershman also reported on UC's capital outlay program, currently at \$350 million per year, which will be negotiated with the governor for the expansion of medical school and nursing program enrollments in the 2007-08 budget. UC is also expected to gain an extra \$200 million for the medical schools' Programs in Medical Education (PRIME), and for the expansion of telemedicine programs to meet the needs of underserved populations in the state. Vice President Hershman noted that funding for the expansion of existing medical school enrollments (by about 10 percent) depends on the success of the bond package on the November 2006 ballot.

DISCUSSION: UCFW members asked Vice President Hershman about UC's strategy for the restart of contributions to UCRP, and implications for employee salaries. Vice President Hershman reported that UC would like a five percent increase to cover salaries and rising medical costs. The exact COLA/merit breakdown is not yet written into UC's 2007-08 budget plan. He also reported that he sees no hope for additional salary increases above the amount provided in the Compact. UCFW members then discussed the assumptions of the Mercer total remuneration report regarding the percentage increase required to make UC salaries competitive, and how the Compact's salary figures are inadequate to advance UC's competitive position.

IV. Consultation with the Systemwide Academic Senate

- **Michael T. Brown, Vice Chair (via teleconference)**
- **Maria Bertero-Barcelo, Executive Director**

REPORT: Academic Council Vice Chair Brown provided UCFW members with an overview of the shared governance structure at UC, encouraged active member participation on the committee, and expressed his gratitude for members' service on UCFW this year. Vice Chair Brown also updated members on important issues facing the Academic Council this year, including addressing the faculty salary scale system, and The Regents' activities regarding the senior management slotting plan. Executive Director Bertero-Barcelo then briefly discussed Academic Senate travel policies and procedures for reimbursement, and referred UCFW members to the [Systemwide Guidelines for Senate Committees](#), for more information on the inner-workings of the systemwide Academic Senate.

V. Consultation with UCOP – Clinical Services Division

- **William Gurtner, Vice President, Clinical Services**
- **Santiago Munoz, Executive Director, Clinical Services Development**

ISSUE: UCFW has invited Vice President Gurtner to discuss his role in Clinical Services, and ways in which faculty could be better integrated into decisions made about health plans at the UC medical centers.

REPORT: Vice President Gurtner expressed gratitude for the invitation today, and suggested that regular consultations with UCFW would be beneficial. He then reported on the state of the UC hospitals and medical plans, including how the hospitals and clinical services units operate on funding separate from UC-state funds, and therefore must compete with area hospitals for competitive health plan rates. He also reported on recent efforts to use the combined leverage of the five UC medical centers in negotiations with the health plans, while still allowing flexibility for the medical centers to deal with local issues as problems might arise between faculty and the health plans.

Executive Director Munoz reported on his efforts to create a systemwide approach to health plan contracting. A major issue right now is plan consolidation, which limits the health plan choices available, and changes within the health plans that enable them to shield themselves from covering certain advances in health care.

DISCUSSION: HCTF Chair Larry Pitts noted his frustration with the medical centers' decision-making processes concerning health plans, which occur with little consultation with faculty and go against the principles of shared governance at UC. He suggested that faculty should be at the table on a regular basis to confer with the medical center directors on these and other matters where faculty can certainly be of assistance. Associate Vice President Boyette concurred, noting that negotiations in the recent past with certain medical plans would have benefited from faculty involvement. Vice President Gurtner also agreed. One UCFW member asked if the UCSB campus could have greater ties with the UCLA medical center, to which Vice President Gurtner recounted past failed efforts to do so. He mentioned that perhaps greater systemwide leverage could have helped in that situation. He also expressed willingness to explore the development of a possible UC Health Plan offering, in consultation with UCFW and the UCFW Health Care Task Force this year.

HCTF Chair Pitts reported that he will be meeting with the medical center physician groups this year, and separately with the campus medical directors, to further explore options for regular faculty engagement with the medical centers. He plans to report back to UCFW in four to five months. Vice President Gurtner suggested a plan for UCFW to convene an all-day meeting along with practice plan leadership, CEOs, and others, to discuss the future of health plans and other topics raised during today's discussion.

ACTION: The UCFW Health Care Task Force will pursue these issues and suggestions further and report back to UCFW regarding any developments this year.

VI. Report of the UCFW Health Care Task Force (HCTF)

- **Larry Pitts, HCTF Chair**

REPORT: HCTF Chair Larry Pitts and UCFW Vice Chair Jim Chalfant provided an update on their recent visit to Mercer's San Francisco offices, to gain insight into Mercer's total remuneration study and its valuation of UC health benefits. They learned that the category of

“UC health care benefits” used in Mercer’s total remuneration study actually encompasses medical, dental, and life insurance, dependent health care, and flexible spending accounts (FSA), among other offered health and welfare benefits. Vice Chair Chalfant reported that Mercer’s valuation of benefits offered by UC, which other institutions do not offer, is as follows: if the benefit could be purchased on the open market, the market value is used for that added benefit; or, if no commercial product is available on the market, Mercer uses a complicated actuarial costing of that benefit. HCTF Chair Pitts expressed concern for Mercer’s model-driven approach to UC health benefits, and suggested that UCFW should consider testing the data using real-life benefits/values, which Mercer could include in its new report being prepared for The Regents in January. Vice Chair Chalfant noted that Mercer’s health plan valuations are not true valuations of the benefits to an employee, and they are not a source of funds available to The Regents to adjust among other total remuneration components – to which Bob Miller, of Mercer HR Consulting, confirmed and also agreed that the value, competitiveness, and cost basis of UC benefits should be further evaluated.

DISCUSSION: UCFW members thoroughly discussed details involving the Mercer study, including its valuation of UC’s defined benefit retirement plan versus other defined contribution plans. Bob Miller reported that Mercer looks at the employer-provided value of the plan only, which is valued higher than the actual cost. HCTF Chair Pitts noted that UC is disadvantaged in this calculation because of its lower employee salaries, and a new analysis would allow UCFW to see actual costs of health benefits, to evaluate where benefits could or could not be trimmed.

One UCFW member asked why cost of living and housing figures are absent in the Mercer total remuneration calculation, and how the value of benefits is different depending on the age of a faculty member. Associate Vice President Boyette said that Mercer used the faculty salary calculations provided in the California Postsecondary Education Commission (CPEC) methodology. She also noted her preference that UCFW not focus its efforts on correcting the models used by Mercer, but instead to focus on reporting to The Regents what UCFW views as the most serious issues affecting faculty recruitment, retention and retirement. HCTF Chair Pitts emphasized the need to correctly report to The Regents the less-than-perfect vision of UC total remuneration than what was originally reported in RE-61 in September 2005. Other topics discussed included: relocation allowances are not included in Mercer’s data, and according to Mercer, the salary survey business does not distinguish among salary averages and salary medians when comparing institutions.

Chair French closed the discussion by noting that UCFW’s inquiries are not intended as part of an adversarial process, but rather as part of a common interest in raising UC competitiveness for faculty.

ACTION: Follow-up on the Mercer valuation of UC benefits will be conducted at the November 17 UCFW meeting, including a report from UCFW member Anderson concerning his upcoming visit to Mercer.

VII. Consultation with the UC Treasurer’s Office [none; to be rescheduled]

VIII. Update: Howard Hughes Medical Institute (HHMI) Investigators/Ludwig Proposal

- Jill Slocum, Director, Academic Advancement

ISSUE: This item was inserted into the agenda to provide an update to UCFW members on the HHMI investigators’ retirement benefits issues and current proposals under consideration.

REPORT: Director Slocum reported that a proposal is being developed and will be presented to UCFW at its November 17 meeting. Following, she expects the proposal to be addressed by the Academic Council in December, and by The Regents in January. Further details were not discussed however, due to time constraints.

ACTION: This item will be placed on the November 17 UCFW agenda for further discussion.

IX. Executive Session

Note: Minutes, aside from action items, are not prepared for this portion of the meeting.

ACTION: UCFW Member Anderson's draft proposal, "Total Remuneration and the 2007-2008 Budget: A UCFW Analysis and Recommendation," will be circulated via email to UCFW members for further comment and approval, and thereafter submitted to the Academic Council for consideration at its October 25, 2006 meeting.

ACTION: The following UCFW members were appointed to serve on the Mercer Workforce Impact Study Subcommittee, in consultation with HR&B Executive Director Randy Scott: UCFW Chair French, Brenda Bryant, and Louise Taylor.

ACTION: The following items will be placed on the November 17 UCFW agenda: adoption benefits, faculty salary scales, and childcare.

Meeting adjourned at 4:00p.m.

Attest: Susan French, UCFW Chair

Prepared by: Michelle Ruskofsky, UCFW Analyst

Attachment: UCFW 2006-07 Attendance

UCFW Minutes – October 13, 2006

UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW): ATTENDANCE 2006-07										
Key: X = In attendance; Abs = Absent; Alt = Alternate attended; T = by teleconference										
		10/13	11/17	1/12	2/9	3/16	4/13	5/10	June	July
MEMBERS:										
Susan French, Chair	Los Angeles (Law)	X								
James Chalfant, V.Chair	Davis (A&R Economics)	X								
Kyriakos Komvopoulos	Berkeley (Mech Engin.)	X								
Brenda Bryant	Davis (Hum&Comm Develop.)	X								
Pauline Yahr	Irvine (Neuro & Behavior)	X								
Shane White	Los Angeles (Den-Endo)	X								
Gregg Herken	Merced (Social Sciences)	Abs								
Helen Henry	Riverside (Biochemistry)	X								
Marjorie Flavin (Fall)	San Diego (Economics)	X								
Carlos Waisman (W, Sp)	San Diego (Sociology)									
Candy Tsourounis	San Francisco (Clinical Pharm)	X								
Douglas Morgan	Santa Barbara (Economics)	X								
Craig Reinaman (Fall)	Santa Cruz (Sociology)	X								
Paul Ortiz (W, Sp)	Santa Cruz (Community Studies)									
Larry Pitts	Member At-Large,UCFW-TF Chair	X								
Harold Simon	Member At-Large (San Diego)	X								
Bob Anderson	UCRS Board Member, TFIR Chair	X								
EX-OFFICIO MEMBERS:										
John Oakley	Chair, Academic Council	X								
Michael T. Brown	Vice Chair, Academic Council	T								
Louise Taylor	CUCEA Chair	X								
GUESTS:										
Bob Miller	Mercer HR Consulting	X								
Richard McEvoy	Mercer HR Consulting	X								
Amol Mhatre	Mercer HR Consulting	X								
Tim O'Beirne	Deloitte Consulting	X								
William Gurtner	Vice President, Clinical Services	X								
Santiago Munoz	Exec.Dir., Clinical Services Dev.	X								
ALTERNATES:										
Ross Starr	UCFW-TFIR Vice Chair	X								
CONSULTANTS:										
Maria Bertero-Barceló	Exec. Dir., Academic Council	X								
Larry Hershman	Vice President, Budget	X								
Marie Berggren	Interim University Treasurer									
Judith Boyette	Asc. Vice Pres, HR&B	X								
Judy Ackerhalt	Deputy to Asc VP, HR&B	X								
Randy Scott	Exec. Dir., HR&B Policy Prg Des.	X								
Mark Esteban	Dir., HR&B Policy Prg Des,H&W	X								
Gary Schlimgen	Dir., HR&B Retirement Png	X								
Stan Kowalski	Dir., HR&B, Const & Leg Coord.									
Howard Pripas	Exec. Dir., HR&B Labor Rel.									
Eleanor Skarakis	Mgr., HR&B Policy Prg Design	X								
Jill Slocum	Dir., Academic Advancement	X								
Sheila O'Rourke	Acting Asst. Vice Pres, Acad. Adv.	X								
STAFF:										
Michelle Ruskofsky	UCFW Analyst	X								