

**Minutes of Meeting
November 9, 2012**

I. Composite Benefit Rates

Peggy Arrivas, Systemwide Controller

Dustin Halverson, Huron Consulting

Issue: The administration has proposed using composite benefit rates to simplify the grant application and management processes. With composite benefits, a flat rate for each identified employee type would be used, rather than the current practice of finding individual benefit rates for each person associated with a given grant. The Senate has raised concerns regarding the over-taxation of summer salaries and other non-UCRP eligible researchers, such as emeriti, and the need for more composite rates for other types of employees, such as for post-doctoral scholars. In response, Controller Arrivas reported that her office is extracting additional data in order to outline additional composite categories. One obstacle is that her understanding is that the federal government only recognizes one or few types of employees.

Discussion: Chair Hare noted that many grants are capped, so given that some grants will see increased benefit costs, the amount of money available for direct research will be diminished proportionately. Alternatively, less grant funds will be available for the direct costs of the funded research. Controller Arrivas agreed there would be winners and losers on an individual grant basis, but that systemwide, costs would remain constant if not decrease and the process would be simpler and quicker. Members suggested further study of precedents in order to better assess the implementation issues, especially at other institutions with defined benefit (DB) pension plans.

Members also inquired about expected impacts to employee behavior as a result of this change to the administration of benefits. Controller Arrivas indicated that no behavior changes were expected since the cost to the individual would remain unchanged, and she pointed to the successful adoption of composite benefits at the Davis campus. The Davis representative reported that implementation had not been as smooth as some have suggested. Nevertheless, Mr. Halverson noted that no grants have been dropped since adoption. Members noted that non-renewal is different and would take time to manifest.

Members also suggested that one interpretation of the policy was to view it as an attempt to use summer grants to subsidize 9-month grants, simply because the federal funding agencies would allow it. Members also noted that a 9-month salary smooths 12 months of benefits, but this proposal would accrue 15 months of benefits, with 3 of the months at a disproportionately high rate. Mr. Halverson indicated that the accounting used does not assign cumulative values; it is a cost pool process wherein all benefits costs are averaged.

Council Vice Chair Jacob asked how Step 4 was to be interpreted, suggesting that the application had to be even. Controller Arrivas noted that the government only requires that the benefit be available evenly, and assessed evenly, not used evenly. Members asked if employees would be assessed benefit deductions on summer salary, and Controller Arrivas indicated no. Members then asserted such a position was self-contradictory. Mr. Halverson reiterated that their goal is to save the University money, and that this method of assessment would generate cost savings. Chair Hare remarked that simplification at the cost of inequity was a poor trade. Controller Arrivas responded that methods to minimize inequities were being sought. HCTF Chair May posited that substantial changes to benefits structures and computation, to put more in without getting a corresponding gain, was a poor policy goal. Controller Arrivas stated that no one would be putting more money in, but members disagreed unanimously: some individual grants would, by her own admission, be paying more and

diminishing their available research funds.

Lastly, members inquired if the funding ratio for UCRP was projected to grow significantly as a result of the proposed change, and Controller Arrivas indicated that the modeling was conducted on the January 1, 2013 rates, but that no increase in payments to the system were expected.

II. Chair's Announcements

Dan Hare, Chair

Issue: Members will be asked to discuss via email possible guidance for administration of any future salary increases.

III. Consent Calendar

1. October minutes:

Amendment: The minutes were amended to reflect that the 2013 health and welfare benefit rate increases were minimal for most employees, but for participants in the PPO plans and the HealthNet full network, the rate increases were significant.

Action: The minutes were approved as amended.

IV. Consultation with the Council of University of California Staff Assemblies (CUCSA)

Steve Garber, Chair

Ken Feer, Chair-Elect

Issue: CUCSA was instrumental in starting the in-progress assessment of the current usage of UC's educational benefit, PPSM 51, which provides a 2/3 fee reduction for employees enrolled in a degree program. The program is administered differently by each campus, and utilization statistics are not kept. Currently, however, Human Resources is assessing the program's usage. Another area for investigation is the need for admission, as opposed to waivers and audits; this topic will also be discussed with Provost Dorr. Short term goals are to expand the program to extension and other development programs, and long term goals include transfer of the benefit to dependents.

Discussion: Members asked if the cost estimates prepared by UCFW several years ago regarding this same proposal had been updated to 2012 dollars. Members also inquired if long-term program maintenance had been guaranteed, especially as the recruitment and retention impacts of the transferable benefit are significant within an employee's work-span for a relatively small time frame. Members noted that the transferable benefit had been discussed by UCFW several times, and each time other programs were identified as higher priorities. Members asked if the target classes were for business/professional development or personal edification. Mr. Garber reminded members that the first step is to assess the benefit as currently used. Transferability of the benefit is a longer term goal, and the committee's feedback and concerns will be included in subsequent discussions.

Issue: Mr. Garber noted that health and welfare benefits are changing, as is the environment in which they operate. Staff and faculty alike need to know the best information and how to make the best decisions, as well as how to provide meaningful feedback to the administration to ensure that needs are being met. It is hoped that the Post-Employment Benefit interaction and communication model can be used for this topic, too.

Discussion: The committee agreed to serve as an additional resource for the vetting and interpretation of information and data. Members noted that as the health care environment is constantly in flux, surveys remain a good way to collect up-to-date information. Members also suggested that CUCSA include Human Resources in their discussions, and ask to be invited to participate in working groups that may emerge.

V. Report from the Health Care Task Force (HCTF)

Robert May, HCTF Chair

Update: Chair May updated the committee on the recent joint HCTF-TFIR meeting:

1. 2013 Health and Welfare Benefits Rates:
Most employees will see modest premium and co-pay increases due to the use of one-time federal funds and other external factors; this slow growth is not a trend. Exceptions to the modest increases include HealthNet full, which further exacerbates Santa Cruz access concerns, and the PPO plan. Long-term adverse selection is probably in these plans.
2. Medicare Changes:
The Part B subsidy was modeled on a lower amount than previous calculations, on a lower benchmark than that agreed to during the PEB process. Although the modeling was reportedly investigatory only, it reflects the larger administration trend of shifting costs to employees whenever possible. This cost shift is particularly troubling given that the retiree health trust has yet to be funded.
3. San Francisco Primary Care Options:
A diminution of primary care options in the HealthNet Blue and Gold network proximate to the city of San Francisco concerns many, as the only remaining option publicly embraces values contrary to UC's non-discrimination policy.
Note: Further discussion occurred in executive session; other than action items, no notes were taken.
Action: HCTF Chair May will communicate the committee's concerns to HR VP Duckett.
4. 2014 Health and Welfare Benefits Re-bid:
The process is early, and the RFP is still being drafted. Self-insurance will be costed along with incumbent and new external insurers. Combined with ACA, 2014 could see significant changes to UC benefits.

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

Shane White, TFIR Chair

Update: Chair White updated the committee on several items of interest:

1. Total Remuneration:
Senate calls to update the 2009 Total Remuneration study have fallen on deaf administration ears so far, despite it being chipped away on many fronts. A new TR study is still thought to be too expensive, especially if the medical centers are to be included. Administration messaging regarding benefits continues to mischaracterize their generosity; UC benefits are now average at best.
2. UCRP Funding Policy:
Various constituencies within the University have asked why UC uses its current assumed rate of return (7.5%) and why the Regents' funding policy calls for a flat percentage of payroll, rather than level dollars, to be contributed. A level dollars policy is only viable if there is a rapid expansion of payroll; without such, long term costs for a DB plan increase significantly. A higher assumed rate of return is essentially only accounting gimmickry, and serves only to defer costs, not eliminate them.
3. UCRP Contribution Rates:
Employee and employer rates have only been set for July 1, 2013 so far. The Administration and the Regents seemingly are behind schedule in setting the rates for July 2014.
4. 2013 Tier Planning Documents:
TFIR reviewed a summary of technical updates, and will continue to monitor documents as they become available.
5. Disability Review:
The review continues, and UC was found to be significantly below market. It is unclear if

changes will be made retroactive, or only on a go-forward basis.

VII. Executive Session

Note: Other than action items, no notes are taken during executive session.

Action: Chair Hare, Council Chair Powell and TFIR Chair White will draft a new call for updating the total remuneration study.

VIII. Systemwide Review Items

1. Rebenching:

Discussion: Council Chair Powell noted that campus enrollment management is the largest remaining unaddressed issue. Members asked how rebenching was to be implemented, and Chair Powell noted that a portion of new monies would be set aside and allocated according to the new formula. Over time, the portion would increase. Members inquired why UCSF was exempt from the plan, while other medical center campuses were not. Members also wondered how long the Merced exception was expected to last. Chair Powell noted that benchmarks for Merced had not been specified. Members asked how component weightings were determined, and if they could be changed. Chair Hare noted that several discussions were missing from the report and many more details were needed. It is unclear whether the University would be better off to delay or to fix problems as they arise during implementation.

Action: A draft response will be circulated by email for comment and approval.

2. Negotiated Salary Trial Plan (NSTP):

Discussion: Members noted that each of the issues identified during review of proposed APM 668, the clear antecedent of NSTP, remain. Members also noted that assessing the impact to morale of the proposal would be difficult, as would ending the program after a multi-year trial, especially since the proposal does not provide any such steps. Members noted a shifting justification for the proposal, which has essentially collapsed to that of placating “squeaky wheels.” Members again noted that the proposal would shift faculty efforts from academic excellence to fundraising, and would minimize the role of peer review at UC. Members observed oddities in the handling of summer salaries, noting an arbitrary and disproportionate impact as the base salary changes to 3/9s of a 12-month salary; this would also impact indirect cost recovery.

Action: A draft response will be circulated by email for comment and approval.

3. Proposed New APM 430 (Visiting Scholars):

Discussion: Members again noted that the problem to be solved by the proposal has still not been adequately explicated. Members also noted that under the proposal, visiting scholars would not necessarily need to be associated with an institution of higher learning. Members observed that the proposal omits faculty oversight of this type of “appointment”, and that several campuses already had provisions that would suffice and do not require an APM amendment.

Action: A draft response will be circulated by email for comment and approval.

4. Proposed Revisions to APM 700 (Leaves of Absence):

Discussion: Members noted that again, the problem being solved was not clearly identified. Members added that key terms lacked definitions and that the proposal would be improved by including a process map. A process for exceptions, such as overseas travel, should also be incorporated.

Action: A draft response will be circulated by email for comment and approval.

5. Proposed Revisions to APM 600 Series (Salary Administration):

Discussion: Chair Hare indicated that only a handful of the proposed revisions required discussion: 600, 662, and 510. HCTF Chair May reiterated the committee’s previous request

regarding APM 510 (Intercampus Transfers), highlighting the one-step limit, unless an outside offer was being matched. Although the start-up limits in 510 were updated to reflect inflation, no serious consideration seems to have been given to the other requests. Concerns over the decision-making and feedback process were also noted.

For APM 600, inconsistencies were noted with APM 110, as well as with the use of 1/11 or 1/12 salary rates for certain summer provisions. For APM 662, members noted that “teaching load”, among other terms, should be defined for consistent institutional application, or that a process for redress should be developed.

Action: A draft response, including the previous APM 510 revision request, will be circulated by email for comment and approval.

IX. Online Education

Keith Williams, Interim Director

Rita Hao, Office of General Counsel

Issue: Director Williams presented a brief background of the online education project and its current status. Addressing directly committee concerns regarding copyright, he indicated that only course outlines, not materials, were being asked for, so that courses could be adapted and modified in the future. He added that it was modeled closely on other copyright laws and is largely consonant with them. He noted that the program is voluntary, and that the agreement is only for the pilot and may be amended moving forward.

Discussion: Members asserted that course outlines were intellectual property in and of themselves, and thus should not be subject to institutional modification absent Regental consent. Counselor Hao suggested a different frame, like that of a publisher whom the faculty grant a license to use the work, like current non-exclusive licenses that allow each party to modify materials. Members noted that “modifying” intellectual property carried serious Academic Freedom consequences. Director Williams also proffered that UC had a business interest in securing a return on its investment in the development of courses by retaining access to them over time. Members asked how much was being invested per course development, and Director Williams suggested about \$55K, with \$20K going to the course developer. Members wondered if business decisions would trump academic considerations in every instance. Director Williams noted that changed courses would have to be reapproved by Senate bodies, but members observed that such provisions were absent from the proposal. Counselor Hao asked what a significant change to a course might consist of, and members noted that intellectual properties were not thought of as commodities by the faculty. Members inquired about limited non-exclusive licenses, and Director Williams noted that annual changes are often made. Members observed that any such changes were by the creator of the work, not auxiliary parties.

Action: Chair Hare will respond to Senate Executive Director Winnacker’s August inquiry on this topic based on this discussion.

X. Consultation with the Office of the President – Budget

Patrick Lenz, Vice President (via phone)

Update: Vice President Lenz reported that the passage of Proposition 30 is a positive outcome insofar as it staves off trigger cuts and adds some to UC’s base funding for 2013-14. A multi-year funding agreement is still under discussion with the state, and the administration continues to examine ways to increase salaries and graduate student support, to reduce the student-faculty ratio, and to fund deferred maintenance and other capital projects.

Discussion: Members inquired about funding for UCRP, and VP Lenz indicated that a recommendation to the Regents next week would include \$77M from UC, plus the expected state contribution. Chair Hare noted that the previous number was \$94M. VP Lenz replied that the \$94M figure was used for planning, but the actual single fiscal year requirement is \$77M. Members also

asked if tuition increases were expected, and VP Lenz indicated that some may be bought out by the state, but that is a complicated process since the arrival of the state payment is difficult to schedule. Members then asked about the impact of student, staff, and faculty lobbying and voting regarding Proposition 30. VP Lenz noted that about 1/3 of the legislature is new and will require ground-up education regarding UC; the narrow margin of passage does not indicate significant political capital. However, the workings of a Democratic super majority in Sacramento are hard to forecast.

XI. Divisional Updates

Note: Item not addressed.

XII. New Business

Note: Item occurred in executive session; other than action items, no notes were taken.

Adjournment at 3:35 p.m.

Minutes prepared by Senior Policy Analyst Kenneth Feer

Attest: Dan Hare, UCFW Chair