I.  Announcements

Gary Leal, UCPB Chair

**Update:** Chair Leal updated the committee on several items of interest from the Academic Council meeting of October 22:

- The Total Remuneration report was discussed. UCPB will be asked to work with sister committees UCFW, UCAP, and UCAAD to devise a plan to close the salary gap.
- The President’s Innovation Council has five working groups, and the Senate has official representation on two – rewards and recognition, and creating an entrepreneurial environment. Council Chair Gilly is an unofficial member of the communications work group because her area of research is marketing. The other work groups are on identifying best practices and investing in innovation.
- The chair of the Faculty Welfare committee reported that the value of health care benefits is eroding while the institutional spend continues to increase. Retirees are seeing disproportionate increases due to scheduled decreases in premium support from UC and federal changes. UC Care premiums for 2015 will increase more than the other plans, and UC Care continues to be pulled in several different directions as internal conflicts have not been resolved, and PPO plans face a dubious future in the national marketplace.
- The Office of the President is undergoing a strategic operational review. In the Academic Affairs area, the future of the Office of Research and Graduate Studies is in flux as the President wants to create a VP for Innovation. An important issue is the relationship of this position, if it were created, to the Academic Affairs and the Office of Research and Graduate Studies. Council strongly supports the notion that Innovation is a consequence of Research, and should be subsumed within the ORGS structure rather than being a stand-alone position that reports directly to the President, and a Letter is being prepared to this effect by Council. Currently, a temporary one year advisory position has been created by the President to study the Innovation area and recommend actions.
- The President has announced another new program, Challenge Grants, which she will fund from her discretionary funds. $10M will be spent over three years. The selection committee and program guidelines are still to be determined. Priority areas for research parallel her other initiatives: food security, environmental sustainability, educational outcomes, etc.
- The Chief Investment Officer presented on UC Ventures and sustainable investing. (See also Item VI below.) The CIO noted that, from his perspective, the goal of UC Ventures was to make money, not to perform a “sociological” service.
II. Consent Calendar

1. DRAFT Minutes of October 7, 2014
   Action: The minutes were approved as noticed.

III. Consultation with Senate Leadership

Mary Gilly, Chair, Academic Council
Dan Hare, Vice Chair, Academic Council

Update: Chair Gilly reported that the Regents task force on sexual assault is moving into its next phase, and some faculty practices may be impacted. Transfer agreements with the community colleges will be a new topic of discussion, especially as the community colleges can now offer new degrees.

Vice Chair Hare noted that the recommendations that come forth on total remuneration should be specific regarding fund sources and distribution. The balance between salary and benefits will also require careful analysis and explication. A detailed history of recent salary actions and discussions will be made available.

IV. Executive Session I

1. November Regents Overview
   Janet Napolitano, President
   Nathan Brostrom, Executive Vice President and Chief Financial Officer
   Patrick Lenz, Vice President, Budget
   Debbie Obley, Associate Vice President, Budget and Capital Planning

Note: During executive session, other than action items, no notes are taken.

V. Executive Session II

Members Only

Note: During executive session, other than action items, no notes are taken.

Action: Analyst Feer and Chair Leal will draft a statement on shared governance for electronic approval by the committee.

Action: Chair Leal will draft a statement on the 2015-16 budget plan for electronic approval by the committee.

VI. Consultation with the Office of the Chief Investment Officer (OCIO)

Jagdeep Bachher, Chief Investment Officer
Steve Sterman, Senior Portfolio Manager
Michele Cucullo, Director, Private Equity
Susie Ardisher, Senior Investment Analyst

1. Sustainable Investing

Issue: The Regents have directed the CIO 1) to develop an investing framework that incorporates more clearly environmental, social, and governance (ESG) analyses and 2) to invest $1B over five years in climate impact remediation projects. ESG is not a new concept to OCIO, but it is not yet formalized. The early steps of this process include building greater awareness within OCIO, and analyzing best practices from Europe and domestic pension funds ahead of UC in this area. OCIO also hopes to build in-house
staff with expertise in this area, and is considering hiring a Director of Sustainability. The environmental and social justice impact metrics are relatively intuitive; the governance analysis will consider proxy voting policies, public holdings, and similar identifiers.

UC is now a signatory to the United Nations Principles for Responsible Investment, and is participating in a forthcoming study to receive additional guidance during this transition. UC has also joined Ceres, a non-profit investor network for entities interested in mitigating climate risk. UC is considering incorporating some of the 12 ESG metrics identified by MSCI, but many perspectives will be included in the final guidelines.

Discussion: Chair Leal asked how the ESG principles would impact actual investment activities. Mr. Sterman noted that those decisions have yet to be made since the analysis is still in progress. Members asked what had been learned so far in the investigation, and Mr. Sterman answered that similar returns should be achievable. He added that this change is a journey and will take time so it can be done correctly. Members asked to be involved in the analysis and the development of new protocols, and Mr. Sterman indicated that there will be many intersections where stakeholder input will be welcome.

2. **UC Ventures**
   Issue: UC already invests in venture capital projects, and the goal of this program is to keep as much of the profits from those investments in-house. The structure and guidelines are still being developed, but UC Ventures will function independently from the OCIO and a firewall will be erected between the two. Normal return expectations will apply. UC Ventures is not scheduled to go live until the end of 2015.

   Discussion: Members asked if OCIO had a direct investments team currently, but OCIO works only through third parties at present. CIO Bachher clarified that the first step is to define goals and metrics, and the second step is to find people to achieve those goals. Drafts will be shared as they become available.

3. **In-house Funds Management**
   Issue: UC’s reliance on third party investors diminishes returns because of management fees. It is estimated that 30-40% of manager fees could be retained through in-house management.

### VII. Systemwide Review Items

1. **Total Remuneration**
   Discussion: Members noted that relying on matching offers to secure salary increases provides an odd incentive structure. Members also noted that faculty in “soft-money” positions would be under more pressure to fundraise if the scales were increased. The myth of deadwood faculty continues to have traction in some administration circles, which has caused some to doubt the philosophy underlying the merit and step system. Multi-year salary redress plans have a particularly bad recent history.

2. **Doctoral Student Support**
   A. Non-resident supplemental tuition (NRST):
Issue: Three options are presented: 1) to eliminate NRST after the first year, 2) to do nothing centrally, and 3) to not charge or reimburse grants.

Discussion: Members wondered how the elimination of NRST would impact revenue expectations and enrollment planning, and wondered if the proposal could have a delayed implementation. The politics surrounding non-residents must also be considered. Some wondered if NRST could be recirculated as aid. Most felt that uniform, systemwide action would be best in this area.

Members also noted that tuition is more determinative than aid when students consider where to apply. Attracting the best international students should be the goal of the policy, but other factors impact international student success once they arrive at UC. Pressure to finish courses of study quickly to avoid NRST can have deleterious educational impacts. NRST can also impact the willingness of faculty to take international graduate students on their grants and research teams.

B. Offer letters and Multi-year funding guarantees:

Discussion: Members speculated how guarantees would actually be underwritten. Others noted that reliance on “fellowships” could negatively impact disciplines where first year graduate students serve as TAs or GSRs.

C. Net stipends:

Discussion: Members noted that this expenditure should be framed as an investment in long-term quality for the University. Others suggested that a standard stipend across disciplines would prove unworkable because differential disciplinary expense profiles and the fact that TA salaries result from collective bargaining. Further, since multiple fund sources are impacted, arriving at a standard stipend would be administratively labor intensive.

Action: Analyst Feer and Chair Leal will draft a response for electronic approval by the committee.

3. Proposed Amendments to Senate Regulation 682 (Masters Student Residency)

Action: The committee elected not to opine on this item.

4. Proposed Amendments to APM 080 (Medical Separation) and 330 (Specialists)

Action: The committee elected not to opine on these items.

5. Proposed Amendments to APMs 133, 210, 220, and 760 (“Stop the Clock” Provisions)

Note: Item deferred.

6. Proposed UCSD name change: International Relations and Pacific Studies to School of Global Policy and Strategy

Action: The committee supports this change; Analyst Feer will draft a memo conveying this support for approval by the committee.

7. Proposed Amendment to SBL 128.D.2 (Vice Chairs)

Action: The committee supports this change, on the condition that no significant financial impact to existing Senate operations results. Analyst Feer will draft a memo for approval by the committee.

8. Proposed Presidential Policy on Open Access

Note: Item deferred.

VIII. Consultation with Human Resources
Mike Baptista, Executive Director, Benefits Programs and Strategy

Issue: The Health and Welfare budget is expected to increase at 5%/year. This year, 6% was given to mitigate premium increases, especially for UC Care, and the UC medical centers were asked to give special rates for additional savings. Annual premium increases have been in the single digits since 2010. In the benefits realm, it is easy to cut costs, but the outcomes are often drastic; the elimination of family coverage is an example. Changes to network structures and co-pay schedules off-set premium increases to the employer, but are often passed along to the consumer (employee).

Discussion: Members asked how much was spent per plan. Mr. Baptista noted that employees care more about how much their increase is, not how much the UC spend increased. From that perspective, except for UC Care, the maximum increase is $25/mo (for singles), regardless of payband, and could be less, depending on the plan in which an employee is enrolled. UC Care saw the highest increase, but it is a PPO plan that allows the most flexibility to members and has the widest network – both of which are factors that increase cost. UC Care is still a new plan, and it is too soon to tell if these increases are detrimental to the plan’s continued viability. Members asked if UC Care was losing money this year, and Mr. Baptista responded that most new plans are loss-leaders. Final financial data for year 1 will not be available until June 2015, but internal estimates project a $1-2M shortfall. UC Care also has the goal of building a reserve over time so that it can drop external gap coverage; a three-year timeline has been set to build the reserve.

Members asked if the geographic disparity in UC Care Tier 1 providers was a concern, especially since UC Care is the only PPO plan available. Mr. Baptista indicated that the 20% co-insurance rate for Tier 2 is industry standard, so there is no real reason to have multiple PPO plans; further, the Blue Shield network is normative and another PPO plan would be unlikely to include significantly expanded provider access. Members asked how satisfied employees were with the offerings, and Mr. Baptista referred members to the summer satisfaction survey. That survey indicated that people who change plans are more dissatisfied, regardless of what plan they changed from or into. Nonetheless, overall satisfaction was high. Members asked how plan satisfaction differed from quality of care and health care outcomes. Mr. Baptista noted that plan satisfaction measured appointment access and other bureaucratic metrics, not patient health.

For UC Care, it was noted that appointment access in some markets is severely constrained, and Mr. Baptista reminded members that some markets are monopolies, and providers in those monopolies have no incentive to change their practices. Members also asked if usage and provider participation were being tracked at non-medical center locations and areas. Mr. Baptista noted that provider participation is about pricing, not location, and that the UC Care team continues to negotiate with providers on this front.

Members asked if UC Care enrollment migration patterns show significant adverse selection, and plan costs continue to increase, at what point would HR recommend dropping the plan? Mr. Baptista said that if costs spiral, the middle of next year would see a hard recommendation, but he added that preliminary data does not suggest such actions will be needed. Members noted that the time lag in medical billing processing is a complicating factor, and if decisions are not made until the middle of the year, it is unclear how much change can be made before the next open enrollment period.
IX. New Business

None.

Adjournment 4:00 p.m.

Minutes prepared by Kenneth Feer, Principal Policy Analyst
Attest: L. Gary Leal, UCPB Chair