

Minutes of Teleconference

January 6, 2015

I. Announcements

None.

II. Consent Calendar

1. DRAFT Minutes of Meeting of December 2, 2014

Action: The minutes were approved as amended.

III. Total Remuneration

Issue: The committee is asked how to close the remuneration gap found in the Total Remuneration study completed last fall. A remaining issue from our prior off-line discussions is how to address above-scale.

Discussion: Members discussed how above-scale salaries should be treated if a plan to address the faculty salary gap were focused on applying available funding (above and beyond the 3% range adjustment) to increasing the faculty salary scales. It was concluded that above-scale salaries should be increased at the same rate as the scales.

Action: Chair Leal and Analyst Feer will revise the draft response and circulate it electronically for approval.

IV. Senate Constitutional Amendment 1

Issue: SCA-1 has been introduced in Sacramento; it would effectively strip UC of its constitutional autonomy and subject UC to direct oversight by the legislature. UCPB is asked to help generate talking points that can be used against the proposal.

Discussion: Members noted that UC should stress that it does focus on educating California residents by illustrating that non-residents provide diversity in the classroom and tuition dollars for financial aid. Members added that non-residents frequently settle in California, thus adding to the tax base and creative/labor force of the state. Members speculated that legislators may misapprehend non-resident enrollment, erroneously concluding that there is a one-to-one trade-off between resident and non-resident undergraduate enrollment.

Undergraduate Student Representative Rogel recalled that a similar effort from 2009 had been defeated, and Chair Leal clarified that it died in committee, but the arguments and reasoning in the UC response are still valid. Members wondered what, if any, lessons could be learned from sister university's experiences with and without similar levels of constitutional autonomy. The committee agreed that subjecting UC to year-by-year state budget processes would be unlikely to improve management of the University.

Action: Analyst Feer will draft a response based upon our discussion for electronic approval and transmittal to Academic Council Chair Mary Gilly.

V. Consultation with Academic Senate Leadership

Dan Hare, Academic Council Vice Chair

Update: Council Vice Chair Hare updated the committee on several items of interest:

- Last week the governor named Gareth Elliott to the final vacancy on the Board of Regents. Mr. Elliott previously worked as a legislative affairs secretary for the governor, and before that in the offices of Senators Padilla and Perata. The next vacancy on the Board will open in 2016.
- A memo from President Napolitano to faculty on engagement in the budget process is being drafted. Interested faculty will be encouraged to engage in voluntary advocacy in Sacramento. The memo will include talking points and other guidance.
- The working group on UC finances proposed by the Governor at the November Regents meeting continues to evolve. Early ideas did not focus much on the undergraduate experience, and an update on UC activities in this area, partly following from the Commission on the Future (ca. 2009-10), is scheduled for the January Regents meeting.
- The determination of a “compelling” reason for the establishment of self-supporting graduate and professional degree programs continues to be problematic. The Senate’s historical position has been to favor access and affordability over profit. See also Item VI below.

VI. Establishing Self-Supporting Graduate and Professional Degree Programs (SSGPDPs)

Issue: UCPB and CCGA have been asked to help the Academic Planning Council determine what constitutes a “compelling” reason for the establishment of SSGPDPs.

Discussion: Members asked what precedents could be examined. Chair Leal noted that only one proposal has come to UCPB, and he is aware of only a handful more that made it to CCGA. Divisional CPBs reported differential experiences reviewing such proposals- some reported seeing zero proposals, while others have seen all local proposals. Members agreed that a new academic opportunity would be needed, not just a chance to capture more fees. Further, proposals would need a viable business plan and must show that no ill-effects will be incurred by extant programs- including teaching and TA capacities. San Diego Representative Betts noted that his campus is lowering the amount of fees that can be retained by departments to the same level as state-supported students, thereby easing the impetus to create SSGPDPs.

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

VII. UCRP Returns Analyses

Allan Timmerman, Atkinson/Epstein Endowed Chair, Professor of Finance, UCSD

Issue: The UCRP liability is becoming a political football and it is a financial stress on the University. The committee considered whether there are additional analyses than can be conducted which would present a more publicly saleable vision of the plan and its assets.

Discussion: Members wondered if confidence intervals would help persuade skeptics. Most members agreed that funding UCRP as soon as possible would be the best course to achieve financial security. Securing funds from the state seems difficult but will be pursued, but also a positive development is that there seems to be both Senate and administrative support for additional internal borrowing to meet funding obligations. Some cautioned against bringing unwanted attention to UCRP; given widespread public misunderstanding of pension obligations

and the aforementioned effort to restrict UC autonomy, presenting solutions to a “non-problem” could encourage UC detractors to renew their calls to move UCRP into CalPERS – a move the committee thinks would be detrimental to UC. CalPERS is less well funded than UCRP, so the financial wisdom of such a move is questionable, and CalPERS is less generous to the highly compensated – a number among which many faculty can be found. Another significant difference is that CalPERS is a group plan, rather than a plan for a single entity. Additional considerations include the unknown impact of long-term low inflation and the findings of the upcoming experience study on the UAAL.

Professor Timmerman was invited to visit with the committee to discuss the growing national interest in deriving better pension funding models. Academic sensibilities have run into industry standards, and the debate continues as to which approach, or which blend, is most appropriate. A common question is: should uncertainty be modeled, and if so, how? Historical returns can generate some confidence intervals, and combined with participant profiles and actuarial techniques, better estimates could be generated. Members asked how return rates and inflation rates interacted, and Professor Timmerman noted that inflation vis-à-vis final salaries¹ is important to track. He added that it is important also to note that asset returns can lag inflation, which complicates analyses. Members asked how COLAs impacted the liability, and Professor Timmerman indicated that all “responses” complicate the calculations and that there is no best practice to project their impacts at this point.

Members noted that external politics and media reports have targeted pensions, and that any revision to UC practices in this area must be carefully considered and more carefully messaged. Chair Leal suggested taking no immediate action, but encouraged members to be on the look-out for new tools to be considered for this purpose.

VIII. New Business

None.

Call ended at 12 noon.

Minutes prepared by Kenneth Feer, Principal Analyst

Attest: Gary Leal, UCPB Chair

¹ UCRP payments are determined by the average of the highest three years of plan eligible compensation, the Highest Average Plan Compensation (HAPC). This is designed to prevent pension spiking, and is a long-standing feature of UCRP.