I. Announcements

Shane White, UCPB Chair

Dan Hare, Academic Council Chair

Update: Chair White reported that the Technology Transfer Advisory Committee (TTAC) is revising standards for the “equity for access” program, and is being responsive to Senate concerns regarding central oversight and legal and technical matters.

Council Chair Hare reported on the Academic Council meeting of September 30, 2015. As background, he reminded the committee that recently, the Regents’ have 1) formally received a report on faculty total remuneration, 2) twice discussed possible changes to the governance and oversight of UC Health, 3) considered and continue to develop a statement on intolerance, and 4) approved the state budget deal and its programmatic components. The Council discussed the programmatic components, and how best to approach them. It remains unclear whether a “good faith” effort will be sufficient, or if total success is the only acceptable outcome, from the Sacramento perspective. The mechanics and long-term consequences of meeting the condition for 5000 new California undergraduates by next fall are still being studied.

The Council also heard that greater involvement and scrutiny from Sacramento requires the Senate to be more politically savvy and active, and cooperative with the administration.

Later, UCPB will consider whether to opine on proposed revisions to the President’s policy on Sexual Violence and Sexual Harassment. If the committee elects to opine, it might consider if the policy provides adequate and clear guidance for each subpopulation and whether a single policy should address all subpopulations. Previous comments from the Senate were extensive, and should be considered when evaluating the current proposal.

II. Consent Calendar

1. DRAFT Minutes of Teleconference of September 23, 2015

**Note: Item deferred.**

III. Consultation with Senate Leadership

Dan Hare, Academic Council Chair

Jim Chalfant, Academic Council Vice Chair

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

IV. Consultation with UCOP – Chief Operating Officer

Rachael Nava, COO and Executive Vice President

1. Retirement Options Task Force (ROTF) Update

Issue: COO Nava reminded the committee that as part of the budget deal, UC agreed to launch a new pension option July 1, 2016, that would observe the PEPRA cap. In exchange, UC will
receive one-time funds totaling 436M for drawing down UCRP’s unfunded liability. The Governor also hopes the normal cost of the new option will be lower than the current pension tiers. The ROTF has 13 members, including four Senate representatives. The Task Force’s goals are 1) to keep total remuneration competitive and 2) to keep UCRS financially sustainable in the long-term.

Current options under consideration include creation of a supplemental defined contribution (DC) option on top of the restructured defined benefit (DB) plan. The PEPRA cap on pensionable income is $117K, and is indexed to inflation. The supplemental plan would allow pensionable income up to the IRS limit, currently $265K. To assess the viability of this option, the external consultants are constructing various “personas” and analyzing AAU data. A second option under consideration is that of a stand-alone DC option.

**Discussion:** Members asked how many competitors have DB plans, and of the pool of 26 being assessed, 8 offer DB plans, of whom, 5 offer hybrid plans. Members asked if a mid-career faculty persona was being constructed, and COO Nava indicated no, but the group has discussed that population. Additionally, the campus Academic Personnel directors are providing input on that group. Members noted that the hidden costs need careful analysis; for example, increased cash compensation in retention offers must be considered alongside potentially lower employer contribution costs to a less generous pension plan. Members also noted that people who comfortably retire with DC plans start early as such plans require compounding interest. If plan participants are allowed to change their election, they could inadvertently damage their retirement security. Summer salaries would remain uncovered compensation.

V. **UCPB Goals for 2015-16**

**Issue:** Chair White summarized several topics that will occupy the committee’s attention this year: negotiations and allocations within the state budget; enrollment management and long-range planning; capital projects and deferred maintenance; investment policy, liquidity, UCRP funding, and retiree health funding; graduate student support; and reinvesting in academic quality, including restoring competitive total remuneration.

VI. **Consultation with UCOP – Chief Financial Officer**

*Nathan Brostrom, CFO and EVP*

1. **UCRP Funding**

**Issue:** CFO Brostrom reported that the operating budget has little room to cover the full employer contribution to ARC, so supplemental funds are being arranged. One source is additional borrowing; previous borrowing has totaled 2.7B and has allowed the University to make ARC the past three years. To complement the one-time state funding disbursements of 96M, 170M, and 170M (pending successful launch of the 2016 Option), additional borrowing up to ARC is being considered for those years. Repayment of the loan will be assessed from the campuses via payroll.

**Discussion:** Members noted that the ROTF and CFO Division should collaborate on UCRP planning. Members asked whether UC’s record of good stewardship of the pension plan carried any weight in Sacramento, but that is unclear. Most in Sacramento expect UCRP to reduce its normal cost from the current level, so UC could again be a
victim of its success. Future borrowing is limited by other pressing system needs, such as addressing the unfunded liability for retiree health. Limiting any supplemental plan to subpopulations of employees could harm morale.

2. **Liquidity**

   **Issue:** CFO Brostrom reported that UC has three pools of capital: The General Endowment Pool (GEP, ~9B), foundations (~6.5B), and working capital in the short-term investment pool (STIP, ~6B) and the total return investment pool (TRIP, ~8.5B). This is the first time TRIP has exceeded STIP due to campus reallocations following OP's guaranty of liquidity. Additional reallocations are pending evaluations of rating agency concerns. Further flexibility could be found if excess returns are treated as funds functioning as endowments (FFE). The endowment per student at UC is ~$60K; at private competitors, it is ~$1M.

3. **Fiat Lux**

   **With Cheryl Lloyd, Chief Risk Officer**

   **Issue:** CRO Lloyd reported that Fiat Lux, the University’s captive insurance company, was formed in 2012 to enhance UC’s fiscal position by: 1) allowing UC to access the reinsurance market directly and bypassing traditional insurers. Most recently, this helped the University maintain low self-insured retention levels and keep premium costs fairly stable, because there were more reinsurers available to us in the marketplace; and 2) allowing UC to be more creative and underwrite coverage for exposures that are not currently underwritten in the insurance market. Fiat Lux is domiciled in Washington, D.C., for a variety of insurance regulation and taxation purposes; primarily because the insurance department within the State of California currently does not support Captive enterprises. In addition, it is more palatable to the Regents and the administration to be domiciled in the United States as opposed to "off-shore".

   Having its own insurance company, will allow UC to form entities that cannot only underwrite UC's exposures and liability, but also will allow UC at some point, to sell insurance to third parties that are integral to UC's mission.

   Next steps for Fiat Lux include addressing medical malpractice needs in UC's broad affiliate physician market through a separate RRG (Risk Retention Group Captive Insurance Company). Fiat Lux will also begin replacing existing “excess” insurance for our traditional insurance program with direct “reinsurance” as our status as an insurance company allows us to purchase this coverage on a wholesale basis vs. retail. In addition, Fiat Lux will explore if there are any efficiencies and savings to be gained by self-insuring UC's voluntary benefits, like dental and vision. Preliminary discussions on this topic with Human Resources are underway. Self-insurance of equipment maintenance and repair is another possible area for Fiat Lux to explore.

   **Discussion:** Members asked how much revenue generation was expected, and how such funds could be used. CRO Lloyd indicated that most revenues would be used to build the reserve for payouts for insurance products and resulting claims. Hopefully at some point, there would be some surplus building that could be used to fund loss mitigation measures that are currently unfunded.
For every program, Fiat Lux would have strict underwriting standards meaning that external participants in the program, i.e. affiliated physicians, would have to meet predetermined criteria or possibly pay higher premiums to off-set projected levels of risk. Members noted that disability and longevity insurance might be additional areas for Fiat Lux expansion.

VII. Consultation with UCOP – Budget and Enrollment Management

*Debbie Obley, Associate Vice President, Budget*

*Todd Greenspan, Director, Institutional Research and Academic Planning*

**Issue: Budget:** AVP Obley reported that the budget for consideration by the Regents is still being developed, but it is expected to be similar to that from last year, minus tuition increases. Alternate revenue sources and still greater efficiencies are being explored to cover the gap. Expenditures will include mandatory increases, salary actions, the second increment of quality reinvestment; the extent of deferred maintenance to be included is under discussion. A hiatus for capital planning is being considered to better assess capital needs, the debt service load, and how to meet those needs absent a new GO bond. The first increment of Merced 2020 funding, $8M, will be included.

**Issue: Enrollment Management:** Non-resident enrollment and proposed cuts to non-resident financial aid are the dominant topics at this time. The economic profile of non-resident students is not fully known, and so the “tipping point” for pricing out non-residents is unknown. There still seems to be unmet demand in the non-resident population, and one goal in UC admissions is geographic diversity. There are many strongly held opinions on this topic, and a natural consensus seems unlikely to emerge. The Senate should share its recommendations with the President soon.

The lack of overlap between campuses with unfunded students and those with high numbers of non-resident students complicates achieving the goal of meeting the agreed-upon 5000 California undergraduate student enrollment increase. Rebenching and funding streams are implicated, and may need revisited in order to benefit the system.

**Discussion:** Members asked how the potential 5000 students would be compounded in subsequent years, and AVP Obley noted that if the assumed growth trend is observed, 17000 new undergraduates would matriculate within four years – the equivalent of an entirely new campus. The resource implications of such demand are daunting. How to scale back the rate of growth is unclear. Members suggested that many of the new undergraduates could be upper level transfers, but the demand for transfers has flattened of late. Moreover, the concomitant growth in graduate students and faculty has not been addressed yet. Neither has classroom space been identified. These obstacles could delay time to degree, another priority from Sacramento.

Long-range enrollment planning has been placed on the back burner until the short- and mid-term plans have been more fully developed.

VIII. Self-Supporting Program Application Reviews

**Action:** Lead reviewers were appointed for the proposals received to date. Lead reviewers will prepare preliminary findings for discussion next month.
IX. Systemwide Review Items
1. Proposed Changes to the President’s Policy on Sexual Violence and Sexual Harassment
   **Discussion:** Members felt that the training onus and differential evidentiary standards and divergent reporting lines warranted comment.
   **Action:** Discussion will continue electronically.
2. Proposed Amendments to SR 417 and 621
   **Action:** UCPB will draft a short letter of endorsement.
3. Proposed Amendment to SBL 140 (UCAAD)
   **Action:** UCPB will draft a short letter of endorsement.

X. Consultation with UCOP – Office of Research and Graduate Studies
   *Kathleen Erwin, Director, UC Research Initiatives*
   *Chris Spitzer, Program Manager*
1. UC Mexus Review
   **Issue:** Mexus is a multi-campus research unit (MRU) and it is due for its 15-year, or sunset, review. A new review protocol has been prepared, and UC Mexus will be the first MRU to follow the new protocol. UCORP will serve as the lead review committee, and per the Compendium, UCPB and CCGA will provide specific analysis in their areas of expertise. The review timeline was distributed.
   **Discussion:** Members sought clarification regarding the scope of feedback to be considered in the review, specifically asking of international participants would be solicited. Director Erwin noted that the protocol calls for external letters of reference, and the international partners could be contacted via that mechanism. Discussion of the review’s preliminary findings could occur in early 2016, and members are encouraged to think carefully about the best information to be considered within the framework of the new protocol.

XI. Campus Updates
   **Note- Item not addressed.**

XII. New Business
   **Note- Item not addressed.**

Adjournment 3:35 p.m.

Minutes prepared by Kenneth Feer, Principal Analyst
Attest: Shane White, UCPB Chair