

**Minutes of Meeting
February 2, 2016**

I. Chair's Announcements

Shane White, UCPB Chair

Update: Chair White reported that the Academic Council meeting of January 27, 2016, focused on some of the Budget Framework Implementation items, such as placement test approvals and intersegmental articulation agreements. Some Vice Chancellors of Research have asked the Office of Research and Graduate Studies (ORGS) to investigate a policy change that would allow UC researchers to enter agreements that carry citizenship restrictions. Cybersecurity measures and their development and promulgation are emerging topics.

II. Consent Calendar

1. Draft Minutes of December 1, 2015
2. Draft Minutes of December 8, 2015 (teleconference)
3. Draft Minutes of January 5, 2016 (teleconference)

Action: The consent calendar was approved as noticed.

III. Consultation with UCOP – Budget

Debbie Obley, Associate Vice President, Budget Analysis and Planning

Todd Greenspan, Director, Institutional Research and Planning

Issue: AVP Obley announced that she will retire this summer; Chair White and the committee thanked her for her service and candor.

AVP Obley reported that the long-range enrollment plan and Reinvestment in Quality analysis were both forthcoming.

UC met with the state Department of Finance regarding reporting for the 5000 new California undergraduate enrollees for 2016-17, and explained the enrollment trough that UC now faces. Summer will still be counted as a leading quarter for now. New transfers are being targeted, and transfer applications are up 12%.

The state audit of UC is expected to be critical of the university, especially regarding non-resident students and “compare favorably” metrics. There are 14 compare favorably metrics, and cherry-picking can lead to inaccurate conclusions, and averages across the system do not reflect local realities. A bill has been proposed that would cap non-resident students and socialize their tuition across the system. BOARS and the Senate will be called upon to help refute the findings.

The administration has not yet been successful in illustrating to the state that imposing the PEPR cap will not save UC payroll dollars, but in fact increase UC's payroll spend. Indeed, there may be many deaf ears no explanation will reach. Statewide politics and social trends do not favor UC's position on this matter: anti-elitism and market-based comparisons ignore UC's arguments of academic excellence stemming from exceptional faculty, and social goods are less valued than individual gains.

Discussion: Committee members noted that how the market is defined can radically alter the conversation and comparisons.

IV. Consultation with Academic Senate Leadership

Dan Hare, Academic Council Chair

Jim Chalfant, Academic Council Vice Chair

Update: Chair Hare reported to the committee on several items of interest: 1) Report of the Retirement Options Task Force (ROTF): Some legislators and Regents still expect cash savings to be realized in the new tier. 2) Academic Council of January 27: a) A cap on non-resident students has been introduced; although limited, it is indicative of the attitudes prevailing in Sacramento regarding UC. b) The Regents will consider at their March meeting a revised Statement on Intolerance. c) The joint Senate-administration work group on faculty discipline is completing its report. No major changes in the faculty Code of Conduct will be suggested, but there will be some technical revisions. More work remains to be done regarding awareness and enforcement, though. 3) The Regents in January tabled fee increases for professional degree programs amid concerns regarding clientele, access/return to aid, and academic planning.

V. Review Item: Report of the Retirement Options Task Force

Discussion: Members noted that expecting cost savings from a group charged to maintain competitive remuneration and financial stability seemed contradictory. Members discussed various strategies for maintaining at least the current level of remuneration under the new tier, including a richer supplement that begins earlier, higher employer contributions, higher base salaries, and annuity options. Concerns were raised regarding segmentation of the workforce, the university's current remuneration philosophy and its goal of incentivizing career-length service, and equity insofar as women will be further disadvantaged due to longevity issues and rewards for the most successful negotiators as opposed to the best faculty. How best to design any new tier, e.g., default enrollments and times for vesting and/or revocation, as well as how best to communicate the impacts of choices made at the time of hire were also discussed.

Action: Chair White will draft the committee's response for electronic approval.

VI. Campus Updates

Berkeley: Berkeley has a structural deficit of \$150M. To address the problem, the Senate has been solicited. Various failures within the shared services efforts have eroded confidence in many areas. The origins of the deficit are unclear: recent policy changes to non-resident admissions and in-state tuition have negatively impacted short-term cash flows, but these issues are not unique to Berkeley. Identifying costly legacy programs and practices will be difficult.

Davis: The Davis CPB has yet to discuss the ROTF report. Most energies have been focused on academic planning issues, such as teaching facilities and space.

Irvine: The Irvine ROTF town hall had lower than expected turnout, and most questions focused on mid-career retention and possible impacts to diversity. Separately, a college of medicine is being developed.

Los Angeles: The Los Angeles CPB is still discussing the ROTF report. The campus has been asked to take an additional 600 students in the fall with little additional funding. The newly approved middle and high school, supported by donations from the Geffens, and with reserved enrollments for children of faculty and staff, is expected to improve recruitment of faculty.

Merced: The Merced CPB has been focused on the 2020 capital plan. There is much speculation on how feedback to the ROTF report will be received.

Riverside: 1) The campus budget model is being revised to include service-level agreements. 2) The chancellor has stated publicly his goal to hire 300 new faculty, but process concerns and salary funds are possible obstacles. 3) The campus has been asked to take on more than 900 new California undergraduates in 2016-17, including the trough. Housing and impacted majors have been raised as major issues to be addressed. 4) The activity-based costing pilot Riverside was asked to undertake as part of the Budget Framework Initiatives continues. One concern is that the findings will be erroneously cross-applied across departments and disciplines. 5) Classroom space for new faculty is an emerging issue, and there are concerns that the model being used is too narrow.

San Diego: Most local discussion has focused on how to close the remuneration gap, especially if the 2016 tier is adopted.

San Francisco: In addition to concerns regarding the ROTF recommendation, local discussion has centered on space and buildings at the Mission Bay facility. Shared offices and multi-use spaces have not been well-received.

Santa Barbara: (absent during this item)

Santa Cruz: (absent during this item)

VII. Consultation with UCOP – Fiat Lux

Cheryl Lloyd, Chief Fisk Officer

Courtney Claflin, Executive Director, Captive Programs

Issue: Fiat Lux, the university's captive insurance company, was approved by the Regents in 2012. There are several university precedents, including Penn State, Harvard, and several academic medical centers. California does not have laws that regulate captives, so Fiat Lux is domiciled in Washington, DC. The captive allows UC to save on insurance premium expenditures by paying only for payout coverage, not administrative costs. Enterprise insurance policies, such as auto fleet and property, are being lassoed and moved to Fiat Lux; this will also simplify balance and financial reporting. Specific arms will be developed to handle specialty markets, such as risk retention and medical malpractice. These separate arms are needed due to regulatory limits on non-profit entities and first versus third party risk. Captives are also able to be selective regarding which third parties they insure; thus, even though UC's captive can offer rates below market, it will not suffer from adverse selection. Additional underwriting parameters are being developed to indemnify UC further. Long term plans for Fiat Lux could include expansion to voluntary insurance markets, such as vision and dental, dental malpractice, and annuity insurance.

Fiat Lux funds are invested by the Office of the Chief Investment Officer, and that office is conducting a policy aggregation which should increase assets available to the program. Balance data are reported quarterly, and should be available to UCPB for the March meeting,

along with operational expenses. Earnings could be reinvested or used for loss mitigation efforts, such as body cameras for campus police.

UCSHIP has new leadership, fiscal stability, and several campuses are considering rejoining the program. The executive oversight board includes graduate and undergraduate student representatives, as well as several campus health directors.

UC Care was Fiat Lux's first customer, and it saved nearly \$600K compared to its previous insurer.

Discussion: Members inquired what obstacles had been encountered, and Director Claflin indicated that some resistance to change had been encountered, but the numbers were persuasive in the end. Members asked if Fiat Lux could handle a catastrophic event, and Director Claflin noted that UC does not have earthquake insurance, so some bond-related and other ideas are being investigated to cover claims related to such events. Cybersecurity losses could be considerable, too, but the insurance industry is trending toward the development a specialty market for that area.

VIII. New Business

1. SSP review: UCI Human Computer Interaction and Design

Note: Item not addressed.

2. UC Mexus 15-year review:

Action: Members should send to Analyst Feer any questions regarding UC Mexus' governance and accounting.

3. Budget allocations:

Action: Members will continue to investigate how UCOP allocations match up with campus expenditures.

Meeting adjourned at 3:35 p.m.

Minutes prepared by Kenneth Feer, Principal Policy Analyst

Attest: Shane White, UCPB Chair

Attendance:

Shane White, Chair (UCLA)

Bernard Sadoulet, Vice Chair (UCB)
Jennifer Johnson-Hanks, Berkeley
Mitchell Sutter, Davis
James Steintrager, Irvine
Jeff Eldredge, Los Angeles (Alternate, phone)
Mukesh Singhal, Merced
Ken Barish, Riverside
Anthony Edwards, San Diego (Alternate)
Russ Pieper, San Francisco
Josh Schimel, Santa Barbara
Abel Rodriguez, Santa Cruz
Paul Monge, Graduate Student Representative (phone)
Gerardo Ochoa, Undergraduate Student Representative