UNIVERSITY OF CALIFORNIA Academic Senate

UNIVERSITY COMMITTEE ON PLANNING AND BUDGET

Minutes of Meeting
7 July 2026

In attendance: Robert Brosnan (Chair), Alyssa Brewer (Vice Chair), Pheng Cheah (Berkeley), Rene Zieve (Davis), Maria Pantelia (Irvine), Richard Desjardins (Los Angeles), Michael Beman (Merced), Scott Pegan (alternate, Riverside), Oliver Schmidt (San Diego), Tracy Lin (alternate, San Francisco), Barry Giesbrecht (Santa Barbara), Raphael Kudela (Santa Cruz), Jeremy Hourigan (alternate, Santa Cruz), Kayla Cheah (Undergraduate Student Representative), David Brownstone (TFIR), James Chalfant (TFIR), Nathan Brostrom (Vice President and CFO), Caín Díaz (Associate Vice President, Budget Analysis and Planning), Seija Virtanen (Director, State Governmental Relations), Stefani Leto (Analyst)

I. Consent Calendar

Action: UCPB approved the 7 July 2026 agenda and the June 2, 2026 minutes

I. TFIR Pension Funding Proposal

David Brownstone and Jim Chalfant, members of UCFW's Task Force on Investments and Retirement (TFIR), presented TFIR's proposal concerning the actuarial rate of return for the University's Retirement Plan. They noted that in 2018 the Regents had set a more conservative rate of return for the pension of 6.75 percent, rather than the 7 percent suggested by their consultants. The Regents maintained the same rate after the most recent Experience Study by the Regents consultants, The Segal Company. Segal uses a probability distribution for returns and reports the probability that average returns over 15 years will exceed a given threshold; the actuarial rate is typically set to a threshold for which the probability (or level of confidence) is between 50 and 60 percent. TFIR argues that the timeframe analyzed should be much longer to accurately reflect how long the pension fund must last.

Raising the assumed rate of return on investments for the pension, thereby allowing the reduction of UC contributions, would create cost savings for the UC of roughly $1B/year. The current rate of return is too low, given how UCRP's assets are invested, although until 2018-19, it was 7.25 percent. Part of the issue is that the consulting firm models investment uncertainty using a fixed rate of inflation.

While the UC has been contributing more than necessary to reach 100% funding, judged against likely returns, it is simultaneously not contributing the Policy Contribution Rate that is consistent with the 6.75% assumption and that is laid out by the consultants to reach full funding. Part of the disconnect might rest with an unrealistic rate of return. Should the UC return to a 7.25 percent rate of return, UCRP would be essentially fully funded.

Long-run investment return models are only reliable for real investment returns, as inflation is unstable, despite being treated as a fixed percentage in the Regents' models of the pension. TFIR has modeled asset returns for realistic portfolios using the historical experience since 1928. The Regents' pension funding policy is not sufficient to guarantee stability with certainty, but conservative approaches such as putting all assets in inflation-protected bonds would require a huge increase in contributions. There is a fundamental tradeoff between contribution volatility and funding ratio volatility. The current pension unfunded liability disappears if the assumed rate of return is increased by one-half percent.

- Members asked if the Regents would be able to respond quickly as circumstances change. They are able to deal with the uncertainty of the current set up; they would be just as likely to manage uncertainty under a different assumption of rate of return. In addition, any change would create a window of time for responding, rather than needing immediate reaction.
- The TFIR proposal is both that the Regents follow their policy on contributions and change the assumption of rate of return.

II. Leadership Update

Ahmet Palazoglu, Chair, Academic Council and Susannah Scott, Vice Chair, Academic Council asked for feedback from committee members on Senate effectiveness over the past year.

UCPB reported that two UCPB letters on the Yale and TFIR reports will be coming to Council. Chair Palazoglu noted that it had been an active year for the committee and agreed with committee members that enhancing system thinking across the UC would increase resilience in the face of the current extraordinary challenges. Specific issues concern graduate students, both numbers and financial challenges with a represented graduate workforce and finding sustainable long-term solutions for research funding challenges. Discussion centered around how synergies can be found in a time of extremely compressed resources.

II. Consultation with OP

The legislature passed the budget bill; traditionally it has been the revised June 15 budget. The UC's portion did not change substantially since the January budget draft. The UC received restoration of the three percent that was deferred in prior budgets. For the compact, seven out of ten percent was allocated, with three deferred, and the one-time back payments for out of state students have been deferred to 2028. The likelihood that the UC will receive these funds is low. The UC took out a zero percent loan to fill a gap in promised funding, and it has been extended. This was a relatively contentious budget process, with the governor and legislature differing on how much the state would backfill medical care losses due to federal government cuts to Medicare. The 2027-28 budget is being proactively balanced; state agencies are seeing cuts. New taxes, a new managed organization health tax, a tax on electronically delivered goods and services such as music downloads and streaming services will help fill some state revenue needs.

It was generally a positive budget for the UC. The university got roughly $110M in one-time funds, most not requested by the UC but requested by a member of the legislator, a legislative caucus, or an individual faculty working with a legislator. The Regents requested Prime funding – for medical/educational programs for students who want to work in underserved populations. The backlog of unfunded deferred maintenance continues to grow. The Weiner bill, creating a research fund for California, has been allowed to die in the legislature.

AVP Diaz noted that the UC messaging around the budget will be both appreciation for the support and clarity that the funding is not enough to solve the UC's ongoing problems, caused by increasing enrollment and falling support. Instead of being able to do seven percent more based on the seven percent revenue increase, the UC continues to fall behind.

One possible approach for the future would be separating out enrollment growth from funding for the existing core enterprise and asking for it to be prefunded. The UC would not have to play catch-up for enrollment increases, and in fact, the state used to pre-fund enrollment increases. Part of this argument for the legislature will be educating members on the importance of nonresidents, both for educational/experiential reasons and financial ones – they fill in many years of state funding gaps.

CFO Brostrom noted that while the University has weathered three "Black Swan" events, our equities are beating the discount rate very well. He suggested that UCPB should endorse the TFIR proposal but include a strong statement that the UC must follow Regental policy with regard to the contribution rate and adjust for shortfall years robustly and without delay. Those additional contributions should fall on the university and not employees.

VI. Self-Supporting Graduate Degree Program Proposal Review

UCPB discussed the UCSC Proposed MS in Artificial Intelligence and Data Science. The committee agreed with the lead reviewer that there is a market need for the program, and it is an academically-sound proposal. Members expressed concern about faculty workload, as no mention of hiring lecturers is made; faculty will teach on overload. The program is aimed at working professionals, and the online format is likely to appeal to domestic students. They plan to provide 50 percent fellowships for students with demonstrated financial need. Members noted a higher-than-average indirect cost rate. Members agreed that it is a strong program with identified financial risks, which will need to be monitored and reviewed as the program begins. UCPB recommends approval but strongly supports careful review of faculty workload, enrollment performance, indirect cost recovery, and actual program expenditures after the first year as well as the routine three-year review.

Action: UCPB approves with concerns

IV. Yale Report Response Discussion

UCPB members discussed the committee's response to the *Report of the Yale Committee on Trust in Higher Education*. Members hoped to articulate how the conclusions and issues in the report can inform the UC's response to the nationwide crisis of confidence in higher education.

Members made several points for revision of the report, noting that free speech for individual faculty may differ from academic freedom and institutional communications. They noted that the medical enterprise of the UC would benefit from wider publicity and acknowledgement of the powerful positive effect on the state. The response is not intended to propose policies for the UC or to endorse Yale's recommendations. They hope to open a dialogue within the Academic Senate and create pathways to wider understanding of the positive impact the UC has on both the state and the nation.

V. Campus Reports

Davis: Campus budget presentations revealed that some self-supported graduate degree programs are underperforming yet the campus finds them difficult to end. Some members of campus have been suggesting charging differential tuition by major. A campus effort to create strategic, rather than across the board cuts is experiencing some difficulties and resulted in de facto across the board cutting.

Irvine: Units were asked for executive summaries as part of the annual budget process; these summaries noted challenges and funding needs. CPB created a report based on them and found that more than 70 percent of the total campus revenue stream is due to the health enterprise. A task force will examine this and make back up suggestions based on concerns that federal cuts to health reimbursements will diminish at least.

Los Angeles: CPB and the Provost implemented a new protocol with more CPB involvement and regular reports. In addition, the CPB has instituted strategic hand over meetings each academic year including campus leadership. This fall will be the first iteration and it appears to be an example of improved shared governance.

Merced: CPB has been busy and a little chaotic. The committee had put together a budget reduction plan, and the Chancellor would now like more information about it and some of the recommendations have been executed. Some staff reduction has happened and administrative communication about it has been met with disfavor. The TA budget is in deficit and next year budget reductions may mean deeper employment cuts. CPB is investigating revenue generation and has asked for clear communication about future staff reductions.

Riverside: New chancellor is still filling top administrators. Salary increases for faculty will have four percent on the base salary, and three percent on non-scale salary. CPB is working with deans and the provost regarding staff and salary ratios and the structural deficit.

Santa Barbara: The interim CFO has been hired permanently, and the Senate has a productive relationship with her. The four percent across the board increase is only being applied to on-scale salaries.

Santa Cruz: Beginning in July, parking rates will increase by 10 percent a year. This decision has been undertaken without consultation with the Senate. Unions are also protesting. The four percent cost of living increase does not apply to off or above scale, so the campus is making a proposal that has to be decided on by the end of July. The administration claims that above scale salaries contain no base salaries and therefore the percentage increase does not apply to their salaries. The Budget Advisory Committee has created a plan to address the structural deficit; recently the administration acknowledged that the revenue generating portion of their plans is not going to take place so the only way forward is to cut budgets.

UCSA update: Students have participated in several lobbying trips to both Sacramento and DC, where they lobbied for a $20M general fund for student basic needs, the housing bond, and disability services. Increases in student numbers have strained service providers. They also requested that lawmakers allocate $5M to support workforce development and collection of data on student success. The second request was not met, but students will repeat the request.

VI. Chair's Remarks

Chair Brosnan thanked committee members for their service during the year, noting that UCPB had been engaged in important work and had a high level of deliverables. He expressed appreciation for and confidence in incoming Chair Brewer and Vice Chair Zieve.

The committee adjourned at 3:34.

Minutes prepared by Stefani Leto, Analyst
Attest: Robert Brosnan, UCPB Chair