

UNIVERSITY OF CALIFORNIA, ACADEMIC SENATE

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SANTA BARBARA • SANTA CRUZ

Robert L. Powell
Telephone: (510) 987-0711
Fax: (510) 763-0309
Email: Robert.Powell@ucop.edu

*Chair of the Assembly and the Academic Council
Faculty Representative to the Board of Regents
University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200*

February 4, 2013

NATHAN BROSTROM
EXECUTIVE VICE PRESIDENT, BUSINESS OPERATIONS

DWAINE DUCKETT
VICE PRESIDENT, HUMAN RESOURCES

Dear Nathan and Dwaine:

At its January meeting, the Academic Council unanimously endorsed UCFW's recommendation that the administration commission a new study of total remuneration for faculty. The conclusions of the 2009 total remuneration study are often referenced in public documents such as the recent report on faculty recruitment and retention by the Legislative Analyst's Office, at Regents meetings and by the administration. However, since the resumption of employee contributions to UCRP, extrapolations from 2009 and benefit valuations from that year are no longer valid. A new study is needed both to refute outdated information and to carry out the Regental obligation to conduct regular studies examining the competitiveness of compensation for faculty.

I would be happy to discuss this request with you, and look forward to your response.

Sincerely,

A handwritten signature in black ink that reads "R. L. Powell".

Robert L. Powell, Chair
Academic Council

Cc: Academic Council
Martha Winnacker, Senate Executive Director



UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW)
 J. Daniel Hare, Chair
daniel.hare@ucr.edu

Assembly of the Academic Senate
 1111 Franklin Street, 12th Floor
 Oakland, CA 94607-5200
 Phone: (510) 987-9466
 Fax: (510) 763-0309

Jan 11, 2013

**ROBERT POWELL, CHAIR
 ACADEMIC COUNCIL**

RE: Request for a New Total Remuneration Study for Ladder-Rank Faculty

Dear Bob,

UCFW calls upon the Administration to contract for a new study of total remuneration for faculty to rectify the flawed conclusions drawn by the LAO¹ concerning the competitiveness of UC faculty salaries and benefits. We focus largely upon two egregious errors made by the Legislative Analyst. First, the restart of employee contributions to retirement benefits makes the UC retirement benefit no longer competitive with our peer institutions. Contrary to the LAO's report, the benefits package for faculty no longer compensates for below-market UC salaries. Second, the LAO compared the average UC salary only with our four public comparators to conclude that UC salaries were competitive. The guiding principle for faculty salaries for decades has been that UC's average faculty salary should closely match that of the average of the entire "Comparison Eight."² Contrary to the LAO's report, UC average salaries have been uncompetitive with the Comparison Eight for more than a decade (Figure 1).

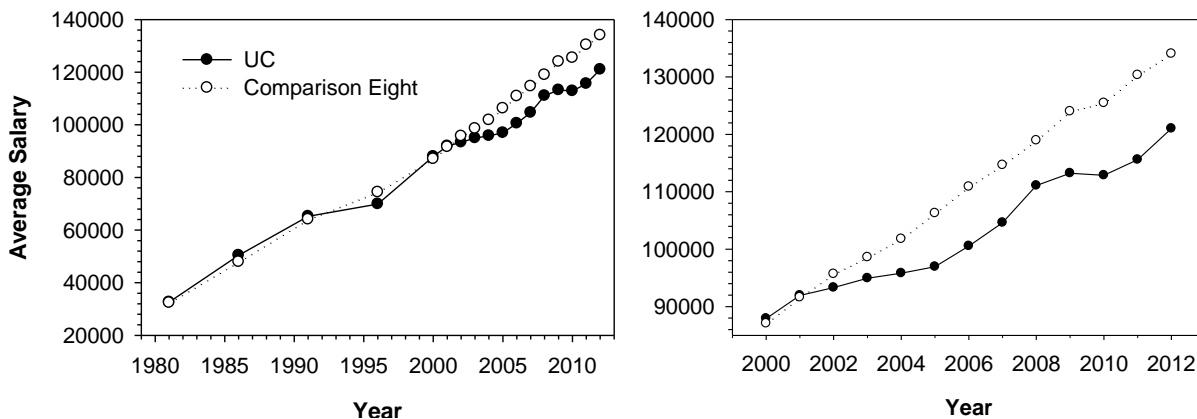


Figure 1. Average UC and Comparison Eight faculty salary from 1980-81 through 2011-12. Data from UCOP Academic Personnel.

The 2009 Total Remuneration study and its update to examine the competitiveness of the "New Tier" showed that, when faculty were not required to contribute to UCRP, the value of the retirement benefit

¹ <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2675>

² <http://regents.universityofcalifornia.edu/regmeet/jan11/j1.pdf>, numbered page 25.

was indeed generous. The same studies showed that when faculty make a 5% contribution to UCRP, then the value of the retirement plan became 8% below market and uncompetitive;³ the value of the retirement plan for faculty hired after July 1, 2013 will be even more uncompetitive, at least 26% below market.⁴ As employee contribution rates rise even higher, 6.5% for current employees next July and higher thereafter, UC benefits will not compensate for below-market UC faculty salaries whatsoever. In short, the LAO's conclusion about the competitiveness of UC benefits is out of date because it is based upon obsolete information.

UCOP salary data show that UC faculty salaries matched that of the Comparison Eight institutions until 2001 (Figure 1). Since 2001, UC salaries have lagged behind the Comparison Eight universities. UC salaries are becoming progressively more uncompetitive with each passing year. The LAO's conclusion that the average UC faculty salary is still competitive because it is greater than the average of the four comparator public universities is wrong because it ignores the historical benchmark for UC salaries. The conclusion also is wrong because UC does not aspire to be just another average public university but aspires to fulfill its distinctive teaching, research and service missions.

Only a new total remuneration study can determine how competitive UC's faculty salaries and benefits are relative to our comparators. Such a study is necessary not only to refute the flawed conclusions of the LAO but also to carry out the Regental obligation to conduct regular studies to examine the competitiveness of compensation for faculty. A total remuneration study also will facilitate the long-term financial planning necessary to determine the type and quality of faculty members to be hired in the future. To be of greatest value, the new total remuneration study should utilize the same methodology as the 2009 Total Remuneration study provided by the Hewitt consultants. We recommend, with reluctance, and in specifically addressing the LAO's report, that this study be limited only to general campus ladder-rank faculty of UC, and the comparison be limited to the Comparison Eight institutions. We make this recommendation solely in order to minimize the expense. The conclusions from a total remuneration study of ladder-rank faculty, however, will inform the need for total remuneration studies of other employee groups, including the health sciences faculty as well as represented and non-represented staff. UCFW would be pleased to assist in initiating a new rigorous and reliable total remuneration study.

Sincerely,



J. Daniel Hare, UCFW Chair

Copy: UCFW
Robert Powell, Chair, Academic Council
William Jacob, Vice Chair, Academic Council
Martha Winnacker, Executive Director, Academic Senate

³ http://compensation.universityofcalifornia.edu/total_rem_report_nov2009.pdf, numbered page 35.

⁴ http://ucrfuture.universityofcalifornia.edu/files/2010/09/peb_ax_h-3_2009-total-remuneration-study-c.pdf, numbered page 23.