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2005-07 Faculty Representative,
Board of Regents of the University of California
2006-07 Systemwide Chair,
Academic Senate of the University of California
2009-11 Vice Chair,
Davis Division of the Academic Senate
2010-11 Chair, University of California Retirement System Advisory Board

October 22, 2010

President Mark Yudof
University of California
1111 Franklin Street
Oakland, CA 94607

Dear Mark:

Thank you for your response of September 29 to my letter of September 13 that reported to you on the discussions of the UCRS Advisory Board at its first special meeting of September 9 to discuss the recommendations of the President's Post-Employment Benefits Task Force. This letter is to report to you on the discussions of the Advisory Board at its second special meeting of October 21, which was scheduled in view of the timeline regarding the preparation of your agenda items on the Task Force recommendations for the November 16-18 meeting of the Board of Regents and for the additional special meeting of the Board of Regents scheduled for December.

As you know, the 11-member UCRS Advisory Board is a cross-section of the University community:

- Three of the members are senior executive officers of the University who are also current members of the President's Executive Cabinet. Two are appointed by the President. One serves *ex officio*.
- Two of the members are faculty appointed by the UC Academic Senate
- Two of the members are staff representatives, elected through a UC-wide election process
- Two of the members are representatives of the Council of UC Emeriti Associations and Council of UC Retiree Associations
- Two additional members are appointed by the President; one is currently a vice chancellor and the other is a represented employee

Nine members participated in-person at the October 21 meeting, and two participated by telephone.

At its first special meeting of September 9, the Advisory Board received an overview from Director Gary Schlimgen on the basic components of the Task Force recommendations. The Advisory Board also received a summary from Professor James Chalfant of the "Dissenting Statement" document that had been

jointly prepared and submitted by a cross section of distinguished faculty and staff representatives who had participated in the Task Force deliberations.

At the most recent special Advisory Board meeting of October 21, Ms. Juliann Martinez, Staff Advisor to the Board of Regents, provided us with a summary of staff concerns. Executive Vice Presidents Larry Pitts and Peter Taylor also met with the Advisory Board for two hours to answer questions about the Task Force recommendations. UC Academic Council Chair Professor Dan Simmons and Vice Chair Robert Anderson also joined the meeting of October 21. The memo of September 22 from the UC Committee on Faculty Welfare to Professor Simmons about the Task Force recommendations was also distributed to the Advisory Board, as were the various exchanges of documents between Task Force recommendations in the past four weeks.

Earlier, during the public comment portion of the Advisory Board meeting, representatives from AFSCME and AFT also provided comments. The package of documents sent to you on October 15 by Ms. Lakesha Harrison of AFSCME was also distributed in advance to the Advisory Board members.

As is obvious from the above, the efforts of the UCRS Advisory Board to evaluate and comment on the Task Force recommendations have been comprehensive in the discharge of the responsibilities of the Advisory Board to serve the University community in these matters. While we recognize that you will be receiving comments from other University groups, i.e., the UC Academic Senate and the Council of Staff Assemblies, we hope that this report, based on the two special meetings of the UCRS Advisory Board, can be specifically recognized and reported as you think best to the Board of Regents.

Given the cross-section of the membership of the UCRS Advisory Board, it is no surprise that there was not unanimity among the eleven members of the Advisory Board on the Task Force recommendations. Thus, there was no vote taken of the 11 members that enables me to report to you the posture of the Board by itself. In place of a vote on a particular proposal, I asked each member of the Advisory Board to react to the suggestion from one member that the Board advise you to follow the recommendations of the UC Academic Senate's University Committee on Faculty Welfare (UCFW) in its Chair's letter of September 22 to Professor Simmons.

I append a copy of that letter but will summarize its content here. UCFW opposes Option A, prefers Option C, but would accept Option B "if staff preferred it." Its support for Options B and C is contingent on credible plans to increase faculty and staff salaries to competitive levels before the new pension tier goes into effect. In the event current employees are offered a choice to migrate to the new second-tier plan, UCFW strongly opposes more than a 7% employee-contribution rate for employees choosing to remain in the current plan.

The summary that follows is not based on formal minutes of the October 21 meeting. Those minutes will not be approved by the Advisory Board for several weeks. Thus, this summary is based solely on the recall of myself and the Advisory Board's Vice Chair, John Sandbrook, and on the Vice Chair's notes taken during the meeting. In view of the immediate schedule ahead for your meetings with your staff regarding the agenda items being prepared for the November 16-18 meeting of the Board of Regents, this summary is mine only. The urgency of having this communication to you within 24 hours of our meeting has not allowed for the full membership of the Advisory Board to review this memo. Each member of the Advisory Board is receiving a copy of this memo. I invite any of the other ten members to submit their own comments to you also, particularly if any of them feel that this summary is not a complete or accurate reflection of the discussion.

- Three members of the Advisory Board, two of whom had been executive-level participants in the Task Force, expressed the view that Option A of the recommendations was the superior recommendation and should be adopted by the Board of Regents. Each of these members also acknowledged, however, that the lack of University-wide support for Option A was a significant factor against that option.
- Five members of the Advisory Board expressed the view that Option C was the best option given current circumstances, recognizing the wide level of discontent about Option A and even Option B throughout the University community.
- Two members of the Advisory board expressed the view that current emeriti and retirees were less affected by whichever option was selected with respect to the pension system but that the recommendations regarding the University's retiree health program could be a significant concern to their constituencies. These members also noted that there were longstanding issues regarding the PERS+5 program that were overdue for action.
- One member of the Advisory Board abstained, expressing that view that the University community should understand that any of the three options provided superior retiree benefits as a defined-benefit program which, even with its reduction in benefits compared to the current program, remains a significant advantage per se compared to most other employers in the U.S.

All members of the Advisory Board, however, expressed the common view that the underlying fact that the Board of Regents needs to address is that action on any of these options regarding the UC Retirement System and the UC retiree health program needs to be accompanied – immediately – by a forceful and aggressive program to address the University's uncompetitive compensation program. And, at the same time, the continuing effort by the University to gain recognition by the State of California as to its obligations for the employer contribution to UCRS for all individuals paid from General Funds needs to be an equally primary objective.

In closing, permit me to make a personal observation. As a member of the University faculty since 1975 at the Davis campus (and as a former chair of the UC Academic Council), I am well familiar with University history. It is ironic that, nearly 20 years ago, the University leadership undertook a series of action during the severe budgetary crises of the early 1990s to minimize the impact on the University's then-current operating budget by initiating a series of actions to utilize the assets of the UC Retirement System to help the operating budget. The failure to implement certain "trigger" mechanisms at the time of those decisions in the 1990s now has caused a circumstance in which we face the opposite dynamic. The operating budget of the University, for the next decade or longer, will now be negatively impacted in order to restore the UC Retirement System. I can only hope that, as this decision-making process proceeds with respect to UCRS, the University leadership, beginning with the Board of Regents and the Office of the President, is resolute in undertaking more consistent fiduciary and long-term strategic oversight of the trust that is the UC Retirement System – using the term "trust" not only in a legal sense but also in the sense of community between the University as an employer institution on one hand and the tens of thousands of individuals who, as faculty and staff, strive daily with their own personal commitments to continue the University's excellence.

I ask that this letter be added to the website maintained by the Office of the President regarding the Task Force recommendations. The Advisory Board will meet again in four weeks on November 19, which is its first-regularly scheduled business meeting of the 2010-2011 year to undertake regular business. We will,

not surprisingly, review with interest the discussion at the November 16-18 meeting of the Board of Regents that will have occurred in the days just prior to our November 19 meeting.

Sincerely,

A handwritten signature in blue ink, appearing to be 'JD', is centered below the word 'Sincerely,'.

cc: Members of the UCRS Advisory Board
Academic Council Chair Daniel Simmons
Academic Council Vice Chair Robert Anderson
General Counsel Charles Robinson
University Counsel Barbara Clark
Director Gary Schlimgen

Appended: Letter of Joel Dimsdale, Chair of the University Committee on Faculty Welfare, to Daniel Simmons, Chair of the Academic Council, September 22, 2010. This letter is currently posted on the Academic Senate's website at http://www.universityofcalifornia.edu/senate/underreview/DS2DivChairs_UCFW_lettersFINAL_100110.pdf (last 2 pages).