

COMMITTEE ON FACULTY WELFARE

Annual Report, 2009-10

To the Academic Senate, Santa Cruz Division:

The Committee on Faculty Welfare (CFW) met twice per month throughout the academic year; members also represented CFW on a several other Senate and campus committees—the Transportation Advisory Committee (TAC), Child Care Advisory Committee (CCAC), Campus Welfare Committee (CWC), and Senate Executive Committee (SEC).

CFW's work in 2009-10 was shadowed throughout by the University of California fiscal crisis, which has dramatically affected UCSC and whose effects on faculty CFW has diligently worked to understand, explain, and, where possible, influence. These included the cancellation of child care for children of faculty and staff announced publicly in August 2009; newly surfacing concerns about housing affordability calculations involving MOP (adjustable-rate) loans; and dogged efforts to understand and transmit information about proposed changes to pension and retirement health benefits and their effects on total remuneration of UCSC faculty.

Post Employment Benefits (PEB)

The debate over “post employment” benefits (PEB)—pension and retirement health—was among CFW's most consuming priorities this year, following on the prior year's effort by CFW to provide a transparent account explaining the liabilities faced by the UC Retirement Program (UCRP) and the potential of UCRP's troubles to affect the UC system itself. A systemwide PEB Task Force convened in 2009 to develop recommendations for changing the structure of UC's pension and retirement health benefits in order to limit UC's rapidly increasing benefits liabilities. The Task Force had the dual charge of developing a plan to reshape UC's retirement liabilities while preserving the faculty profile of UC—a daunting task given that UC's existing retirement benefits are widely credited with helping leash talented but relatively underpaid faculty to the system.

CFW worked diligently to keep abreast of the rapidly evolving deliberations of the PEB Task Force, to share them with the Senate to the extent possible, and to relay our concerns back to UCFW and, through Senate leadership and in meetings with Council leadership, directly to Academic Council. These efforts were complicated by confidentiality restrictions that significantly limited our ability to share information with our constituency, though we made a considerable effort, through regular briefings and communications with the chairs of the Senate and CPB, reports to SEC, and a joint meeting with members of SEC and CPB, to keep colleagues apprised for such briefings up to date on PEB deliberations and thus in a position to advise us in our communications with UCFW.

While recognizing and appreciating the Task Force's efforts to communicate widely and gather information from as broad a swath of UC employees as possible, CFW had serious concerns about the process of decision making and consultation, and in particular about the limitations that a year-long insistence on strict confidentiality on key details, combined with a very tight decision-making timeline in the wake of the Task Force report, would inevitably impose on stakeholders' participation in the process. We expressed these reservations via fairly constant

communications with UCFW and Academic Council leadership about the need for a sufficient period for Senate deliberation, and in a resolution (included in the May 2009 Senate Call but unfortunately not voted on for lack of quorum) calling for the same. We were also concerned about the failure to indicate, in public forums about PEB and in interim Task Force reports, the effects of proposed changes on individuals (only exemplary models were offered), and the total failure to describe the combined effects of proposed changes to pension and retirement health benefits on current and future retirees.

CFW had equally serious reservations about the content of the Task Force's deliberations, and in particular about the bias we discerned in several of the favored PEB options toward rewarding higher-paid employees with more remunerative retirement benefits, a bias we felt was insufficiently recognized even at the level of UCFW and whose details were obscured by the confidentiality restrictions. We were particularly troubled by how this effect would hit UCSC faculty and staff (among the lowest paid in the UC system, and, in aggregate, solidly within the less-advantaged salary range for these proposed benefits plans) and how it would affect younger and newer faculty, whose incentive to make UC a permanent destination would, we expect, suffer considerably from the proposed changes. CFW expressed its reservations about both process and content in its May 2010 report. [<http://senate.ucsc.edu/cfw/CFWrePEBSCP1642.pdf>]

CFW's role moving forward is already well-defined: close monitoring of the deliberations on PEB, active participation in educating its UCSC constituency, and activist work in helping UCSC faculty voice their position on retirement plans that will affect every UC employee, current and retired, and that could potentially have disproportionate effect on members of the UCSC community.

Total Remuneration

Retirement pension benefits are, of course, directly connected to salary during the years of employment; together, salary and retirement benefits (pension and health) comprise "total remuneration." A system-wide report on Total Remuneration released aggregated data from all the campuses to find that, for most categories of UC faculty, total remuneration measured up favorably to that of comparable universities and corporations, at least before anticipated cuts to PEB. This report, however, did not disaggregate total remuneration by campus, and thus was of limited use in examining campus cohorts or individual faculty. Knowing that UCSC's faculty salaries lag those at other UCs, in 2009-10, CFW began investigating total remuneration for Senate faculty at UCSC, finding that (as expected) assumptions made when lumping all UC faculty together did not hold true when examining campus or even divisional and departmental cohorts. For instance, the mean salary of UCSC faculty lags the systemwide mean of \$112,000 by \$19,000; these means, of course, hide large variations above and below, but are magnified by effects such as cost of living (it costs a great deal more to buy a home in Santa Cruz than in Davis, for instance). Though challenged by privacy requirements that masked some of the data we were hoping to examine for current and retired UCSC faculty, we nevertheless were able to demonstrate the urgency with which UCSC faculty would need to voice our concerns about proposed PEB changes: salary lag means subsequent pension lag, and UCSC faculty as a group will find themselves more seriously affected by a revised pension plan that favors higher-paid

employees than faculty at other UCs. CFW reported on the initial results of this investigation in an oral report to the Senate in May 2010, and continues to monitor the effects of our salary lag through its watchdog work on PEB.

Housing

This year CFW continued monitoring the viability of faculty housing programs, including the campus repurchase program, the housing re-pricing program, and the campus loan programs. CFW also spent part of the year investigating the impact of the current economic environment on housing affordability for faculty.

Current status of on campus housing programs: Results from the resale of university-owned faculty housing units during the 2009-2010 academic year have been mixed. For entry-level units (lower cost units located in Hagar Court, Laureate Court, Cardiff Terrace and Hagar Meadow), demand over the year has been steady and the number of available units has decreased over the year. In particular, by August 2010 only five out of 42 available units were owned by the campus (down from 13 on May 2009), with one of the five being assigned on a long-term lease and another, not yet remodeled, not yet available for purchase. Demand for the lowest-priced units in Hagar Court has been the highest, resulting in no units being currently available in this subdivision. Of the many reasons for this demand, one is certainly the continuing need for low- and mid-level housing for junior faculty and staff, the majority of whom are unable to afford housing elsewhere. The situation is rather different for the upper-level units in Ranch View Terrace, where five unassigned units remained in August 2010 (down only two from seven in May 2009). Generally speaking, demand for on-campus faculty housing seems to have been low during the year, most likely due to the salary reduction plan (furloughs) and hiring freeze. However, CFW expects the situation to change in the medium term as the financial situation on campus improves, and we would like to strongly encourage the administration to continue working on long-term strategies to deal with the high cost of housing in the Santa Cruz area. In the meantime, the expenses associated with campus ownership of these properties (especially those in Ranch View Terrace) pose a challenge for the budget of faculty housing.

Analysis of affordability and the re-pricing program: CFW continues to support the goals of the re-pricing program. We believe it plays a key role in making faculty housing programs self-sustainable; maintaining the viability of the “LIO-SHLP” (Low Interest Option/Supplemental Housing Loan Program), which helps make home ownership possible for more faculty; and encouraging the equal distribution of these programs across divisions and departments. However, CFW believes that the affordability index, the key concept at the center of the re-pricing formulas, needs to be adjusted.

Last year, CFW questioned the affordability formula on the grounds that it did not account for changes in faculty income arising from salary reduction in the form of furloughs. In practice, we have learned that the effect of furloughs has been compensated for by lower interest rates. In the specific case of homes acquired with subsidized MOP loans, data provided by Faculty Housing indicates that out of 195 faculty with current MOP loans at UCSC, 104 are paying an interest rate lower than when the loans originated (with

reductions as large as 5% for very old loans), 32 are paying the same rate, and only 59 are paying a higher rate, which is in no case more than 1% higher. The higher rates for these 59 borrowers seem to be concentrated on loans that originated between 2003 and 2005, when market interest rates were at historical lows.

Although this information would seem to make a compelling case for leaving the affordability formula alone, CFW believes that, rather than validating the current mechanism to assess affordability, this combination of factors points out additional shortcomings that should be addressed. In particular, home affordability depends greatly on the future fluctuations of interest rates. CFW has suggested that this “interest-rate risk” should be accounted for in the calculation of the affordability index. The effect of including such risk in the calculation when rates are below historical means would be to decrease the affordability with respect to the current procedures, as homes would seem more expensive in response to an expectation that interest rates will increase in the future. However, the modified index would have the opposite effect when interest rates are higher than their historical average, making homes more affordable since we would expect interest rates to decrease in the future. Although including interest rate risk in the calculation would increase the complexity of the pricing formula, it would provide a transparent and automatic mechanism for adjusting the affordability index to varying conditions in MOP rates. We believe that accounting for interest rate variations and faculty salary variation jointly in the index would lead to a more robust and trustworthy mechanism for assessing affordability at UCSC. We believe CFW should work closely with the administration during the following academic year to implement these changes.

CFW is also concerned about the effect that increases in interest rates could have on the mid-term welfare of faculty currently on MOP loans. Although the MOP statistics mentioned above suggest that the current effect of interest rate changes has been neutral or even positive for most home-owning faculty, they also suggest that a 2-4% increase in interest rates in the mid-term (a scenario that many economists consider likely) could have a dramatic effect on faculty who secured loans at low interest rates and high loan-to-income ratios. With that concern in mind, CFW analyzed data on loan-to-income ratios for faculty currently holding MOP loans provided by faculty housing. We observe that a small but significant portion of the loans (representing around 20% of the MOP-holding faculty) have front-end ratios (which include only housing-related debt) above 35%, and back-end ratios (which include all debt) above 45%. Although we are not sure how these numbers extend to faculty with commercial loans, they do suggest a relatively small but significant core of faculty at risk of default in the case of a moderate interest rate increase. This is a demographic CFW should continue to monitor especially as interest rates change.

Child Care

CFW’s annual report of 2008-09 describes in some detail the abrupt end of child care for children of faculty and staff as of December 2009; that report concluded with an account of the efforts of a group of faculty and staff to start a campus-affiliated alternative child care (Kite Hill Center). CFW began the year examining this proposal with a hopeful eye, but turned to consider other options in late fall when the Kite Hill proposal was rejected. Our subsequent work on child care followed Senate approval, in November 2009, of a

resolution by the Senate Executive Committee directing the UCSC administration “to heed the Senate’s repeated calls for adequate child care services and to speedily develop a plan to provide for affordable, high quality child care for the full campus community, and in particular for the families of faculty and staff.” (This was itself only a slight reworking of a resolution first unanimously approved in May 2004.) In subsequent months, CFW worked on a set of short- and long-term planning questions and worked with EVC Klinger and others to address them. They included:

- The possibility of resurrecting summer child care for children of post-docs, graduate students, and undergraduates, a matter CFW was concerned with as summer care for the children of the former two has repercussions for the work of their faculty sponsors as well as, more immediately, the work of the students and post-docs themselves. Interim Graduate Dean Tyrus Miller and EVC Klinger worked out a trial plan for sponsoring such summer care, a plan that unfortunately came too late to be workable.
- The possibility of grandfathering, through June, children of faculty and staff who had not yet found spaces in other local child care facilities, a possibility EVC Klinger was willing to entertain. (He backed the provision of unused spaces, through June, for displaced children of post-docs.)
- Plans for development of a Master Plan for Child Care mentioned in the Child Care Advisory Committee Charge and, in somewhat different language, advised in the UC Task Force Report on Child Care Policy and Programs (2000).
- Plans for the reconstitution of the Child Care Advisory Committee as a more powerful committee, with greater decision-making power and a more robust charge, in keeping with the recommendations of the Task Force report of 2000.
- Plans for the constitution of a task force charged with investigating the costs and viability of different models of child care (in-house, vendor-provided, on-campus, off-campus, jointly operated with another agency, etc.) and presenting the campus with a proposal by winter 2010-11. CFW advised on the constitution and charge of this task force, and has a representative participating on it.

That the woeful recent losses to child care at UCSC occurred on its watch is this CFW’s greatest regret. We are heartened, however, by the immediate steps the administration has taken in response to the Senate’s resolution in November, by the purposeful work that the Child Care Task Force has already begun, and by the assurance of the Chancellor and EVC, delivered through then-EVC Klinger at the Task Force’s inaugural meeting in September 2010, that some form of child care, as yet to be determined, would return for children of faculty and staff as early as fall 2011. CFW will have a great deal to do in participating in and monitoring campus plans for child care moving forward.

Transportation and Parking

CFW continues to provide one of two faculty members who sit on the Transportation Advisory Committee (TAC), and to participate in the annual vetting of the Transportation and Parking Services budget. After CFW’s TAC representative in 2008-09 proposed it, TAPS has begun including bicycle accidents in its regular reports on traffic incidents on campus, an accounting particularly useful in monitoring the still-worrisome confluence of cars, bicycles, and pedestrians at the Ranch View crossing. Finally, through the reports of

Committee on Emeriti Relations chair Isebill Gruhn, who sat with CFW all year and contributed knowledgeably and valuably on many subjects, CFW examined a concern about a potential change to the emeriti parking benefit guaranteed to most emeriti, a change evidently raised and then tabled in TAC meetings, and agreed that, on principle, CFW would oppose retraction of any benefit guaranteed in writing. A meeting with Chancellor Blumenthal and representatives of staff and faculty retirees successfully dispelled concerns about this benefit for the time being.

Acknowledgments

Roger Anderson, though officially a member of CFW only in winter quarter, generously offered his expertise and assistance throughout the academic year, particularly as members of the committee grappled with benefits issues. CFW has also benefited a great deal from the prompt and professional assistance of a number of UCSC staff. We thank AVC-Academic Personnel Pamela Peterson and Senior Benefits Manager Julie Putnam for information about current and emeritus UCSC faculty for our Total Remuneration investigations; and Capital Planning and Construction Director (CUHS) Steve Houser and Faculty Housing Manager John Thompson for information about faculty housing, re-pricing, and re-sale. Most of all, we thank CFW Analyst Pamela Edwards for her faultless professionalism: her guidance, institutional memory, intelligence, patience, and good cheer. CFW could not have done its work without her.

Respectfully submitted,

COMMITTEE ON FACULTY WELFARE

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