COMMITTEE ON FACULTY WELFARE
Report on Retirement and Online Education

To: Academic Senate, Santa Cruz Division

As the 2012-13 academic year comes to an end, the Committee on Faculty Welfare (CFW) would like to report on two important topics that will affect the future welfare of the faculty, Retirement Benefits and Online Education.

Retirement

The Committee investigated several issues this year affecting the status of the UC Retirement Plan (UCRP) for retired, current, and future UCSC faculty (and staff). The UC Regents have adopted several related changes that become effective July 1, 2013—each of which reduces overall UCSC faculty compensation:

1. All UC employees (faculty and staff) hired after June 30, 2013 will be part of Tier 2013 under UCRP, which will receive lower retirement benefits and later eligibility ages that will significantly reduce the overall value of UCRP benefits, and may affect faculty recruitment competitiveness.

2. All UC employees (faculty and staff) whose combined age and service credit are less than 50 on June 30, 2013 will receive lower UC contributions toward retiree health premiums upon retirement than those whose combined age and service credit are at least 50. Moreover, the calculation of the sum is based on "whole years" for each of the factors (UCFW has called for the <u>combined</u> total of the factors to be truncated down). Note that this change will apply to many <u>existing</u> employees NOT subject to Tier 2013: at UCSC, an estimated 116 of the 433 current ladder-rank faculty (27%) will NOT be grandfathered.

3. All UC employees (faculty and staff) who remain in Tier 1 under UCRP will face an adopted increase in employee contributions toward UCRP effective July 1, 2013 (from 5% in 2012-2013 to 6.5% in 2013-2014). All Tier 1 employees will then probably face another increase (to be voted on by the Regents in July 2013) in contributions effective July 1, 2014 (from 6.5% in 2013-2014 to 8% in 2014-2015). If adopted by the Regents in July 2013, the total increase in employee contributions from 2010-2014 would be 6% (from 2% to 8%). The University's contribution toward UCRP will also have increased during this period by a total of 10% (from 4% in 2010-2011; 7% in 2011-2012; 10% in 2012-2013; 12% in 2013-2014 and a proposed 14% in 2014-2015). Combined contributions will then total 22%.

<u>"Normal" Cost and UCRP's Unfunded Liability</u>

Based on a series of actuarial and financial models, UCRP's "normal" cost is 17.6%--in other words, the combined University and employee contributions must be 17.6% of covered compensation each year to maintain the UCRP in a position to pay all of its liabilities fully. However, UCRP has an unfunded liability that has been estimated by the University as roughly

$12.1 billion. This unfunded liability reflects a combination of three factors: (1) a 20-year "holiday" in contributions from 1990 (when UCRP had a surplus) to 2010, (2) the accelerated payments associated with the Voluntary Early Retirement Incentive Program (VERIP) of the mid-1990s, and (3) reductions in both asset values and rates of returns during the economic downturn over the past five years. We have not seen a good analysis of UCRP that accurately allocates the respective contribution of these factors, but there is widespread agreement that increased contributions are necessary to reduce the liability.

Despite that agreement, however, UC staff unions, including the American Federation of State, County and Municipal Employees (AFSME), California Nurses Association (CAN), and the University Professional and Technical Employees (UPTE), have hired an actuary who argues that two UC policies are more conservative than mainstream methods used by others:

1. The University amortizes the unfunded liability as a fixed dollar amount rather than as a level percentage of pay; this increases the cost of paying off the unfunded liability by over $1 billion over the next four years alone—while also increasing the apparent level of combined contributions necessary in the near term (see Figure 1 from UC Union Actuarial Briefing on November 1, 2012, showing annual amortization payments).

2. The University uses a 7.5% discount rate in estimating UCRP's future liabilities, whereas most defined benefit public pension plans use a higher rate over a 20-25 year period (see Figure 2, from UC Union Actuarial Briefing on November 1, 2012). According to the staff unions' actuary, a "more conventional 7.75% rate" would lower the annual costs of paying off the unfunded liability (if combined with using a level % rather than a fixed dollar amount) from 25-30% (according to UC) to around 22% (see Figure 3 from UC Union Actuarial Briefing on November 1, 2012).

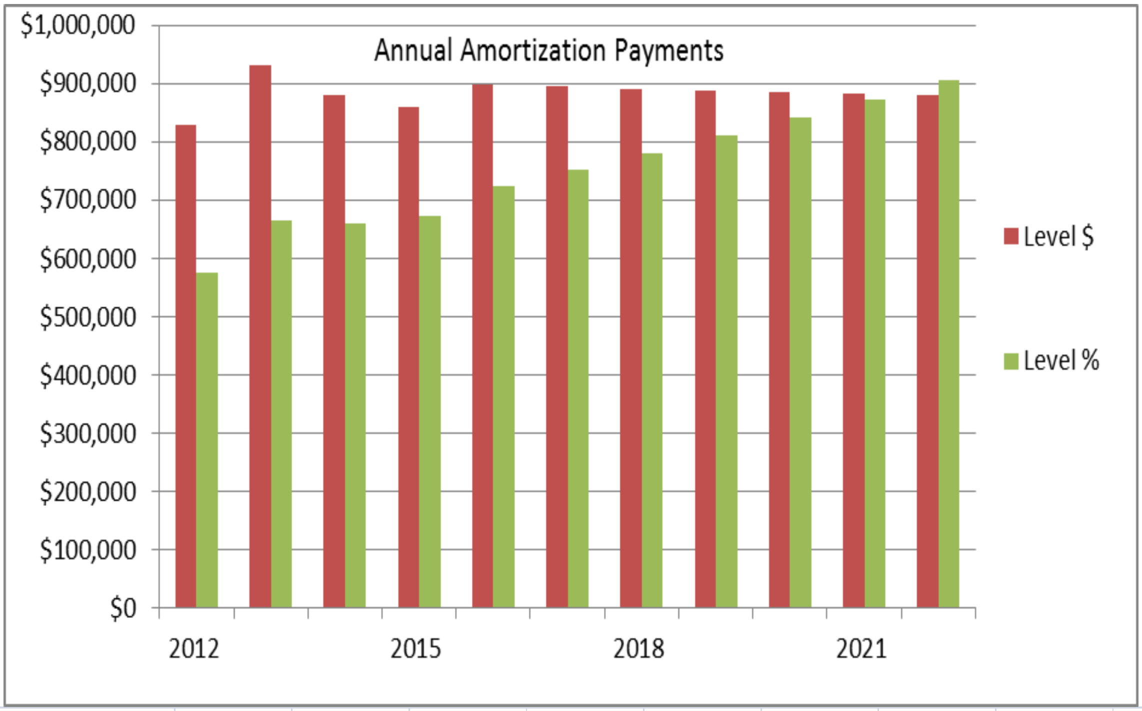
Without these two changes, however, even the 22% combined contributions of the University (14%) and employees (8%) proposed for 2014-2015 appear inadequate. Additional pressure to increase University contributions (which directly compete with other campus priorities, including faculty salaries, staff salaries, health care premiums, and myriad necessary expenses) and employee contributions (which directly reduce take-home pay unless faculty salaries are increased accordingly) is therefore likely to continue (and the unfunded liability to grow) under the actuarial and financial models that the University is using to estimate the costs of maintaining UCRP. The University's choices regarding amortization method (fixed dollar amount rather than a fixed percentage of pay) and discount rate (7.5% rather than 7.75%) therefore result in a political climate of crisis over apparent increases in unfunded liability even after combined UCRP contributions would total 22% (4.4% more than "normal" cost) if adopted for 2014-2015.

The UC unions presented their actuarial analysis to the UC Retirement System (UCRS) Advisory Board in February 2013. Despite efforts by the UC unions to enlist faculty support for the use of a different amortization method and a higher discount rate when estimating liabilities, however, neither the UCRS Advisory Board nor the UC system-wide CFW have pressed for these changes. Instead, system-wide faculty leaders appear to believe that the battle over these issues was already fought when the Post-Employment Benefits (PEB) Task Force rendered its recommendations to UCOP in 2010. At that time, the faculty representatives to the PEB Task

Force wrote a powerful dissenting opinion that was adopted in part by UCOP. We therefore do not see much traction among system-wide faculty representatives for pushing for these changes at the system-wide level.

There is a third issue raised by the UC unions' actuarial that is directly relevant to the link between UCRP contributions and faculty salaries: the UCRP actuarial and financial models assume higher rates of faculty salary growth in the future (thereby increasing UCRP liability) than actual rates of faculty salary growth in the past. Therefore, the UCRP actuarial assumptions themselves make a case for linking higher faculty salaries to increased UCRP contributions. This is also the position of UCFW for 2014-2015. We support this position but also believe that the other changes are also necessary: increased contributions should be coupled to salary increases, but the actuarial methods in the UC union proposal should also be considered.

More conventional amortization method would save nearly $1 billion over 4 years



	2012	2013	2014	2015	2016	2017	2018	2019	2020
Level $ - Amortization Payment	829,492	931,055	881,893	859,663	898,305	895,170	892,076	889,002	885,914
Level % - Amorization Payment	575,117	665,396	660,323	672,632	725,315	752,655	781,041	810,514	841,057
Immediate Savings	254,375	265,659	221,570	187,031	172,990	142,515	111,035	78,488	44,857

All numbers in $thousands ($000), for Fiscal Year Beginning July 1

Figure 1: fixed dollar amount (Level $) vs. fixed percentage of salaries (Level %)
(Source: Actuarial Briefing—Faculty Webinar, November 1, 2012 by William Fornia, FSA)

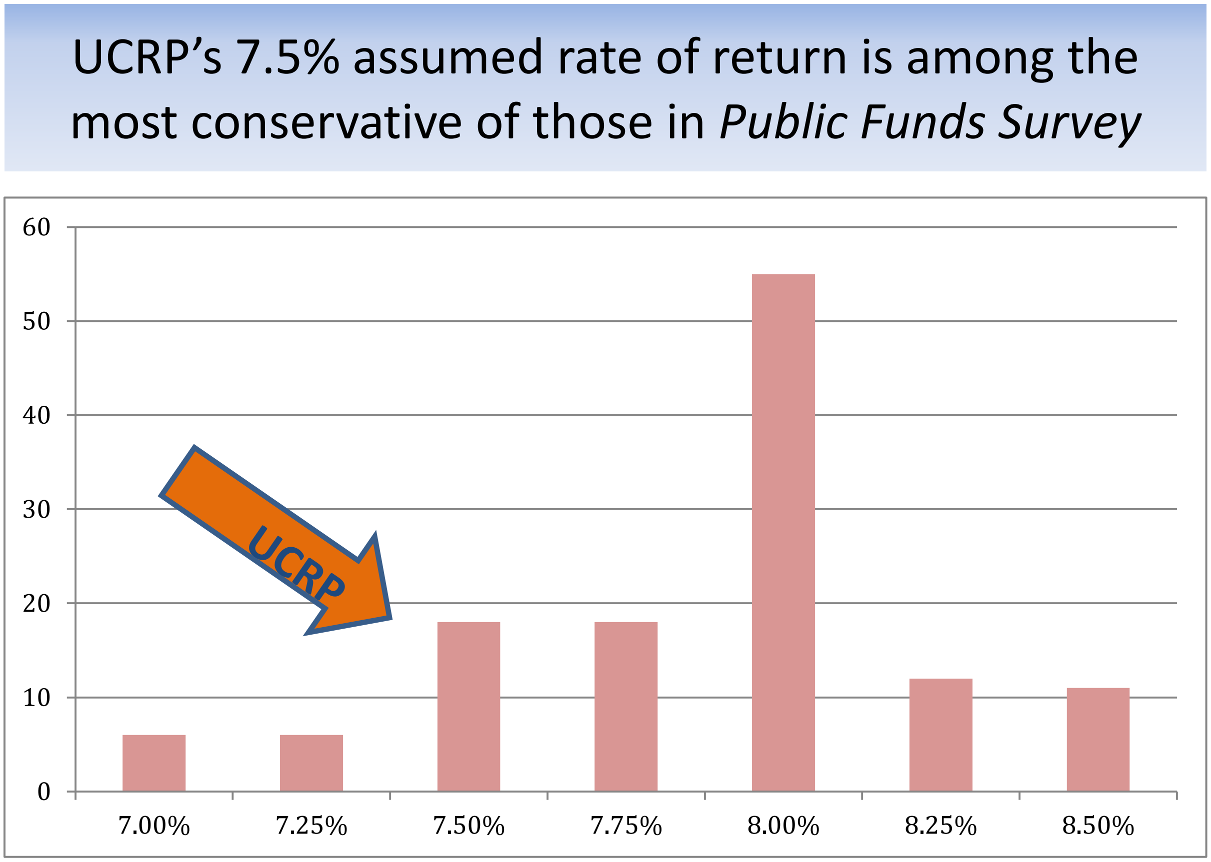


Figure 2: UCRP discount rate (7.50%) compared to other public pension funds
(Source: Actuarial Briefing—Faculty Webinar, November 1, 2012 by William Fornia, FSA)

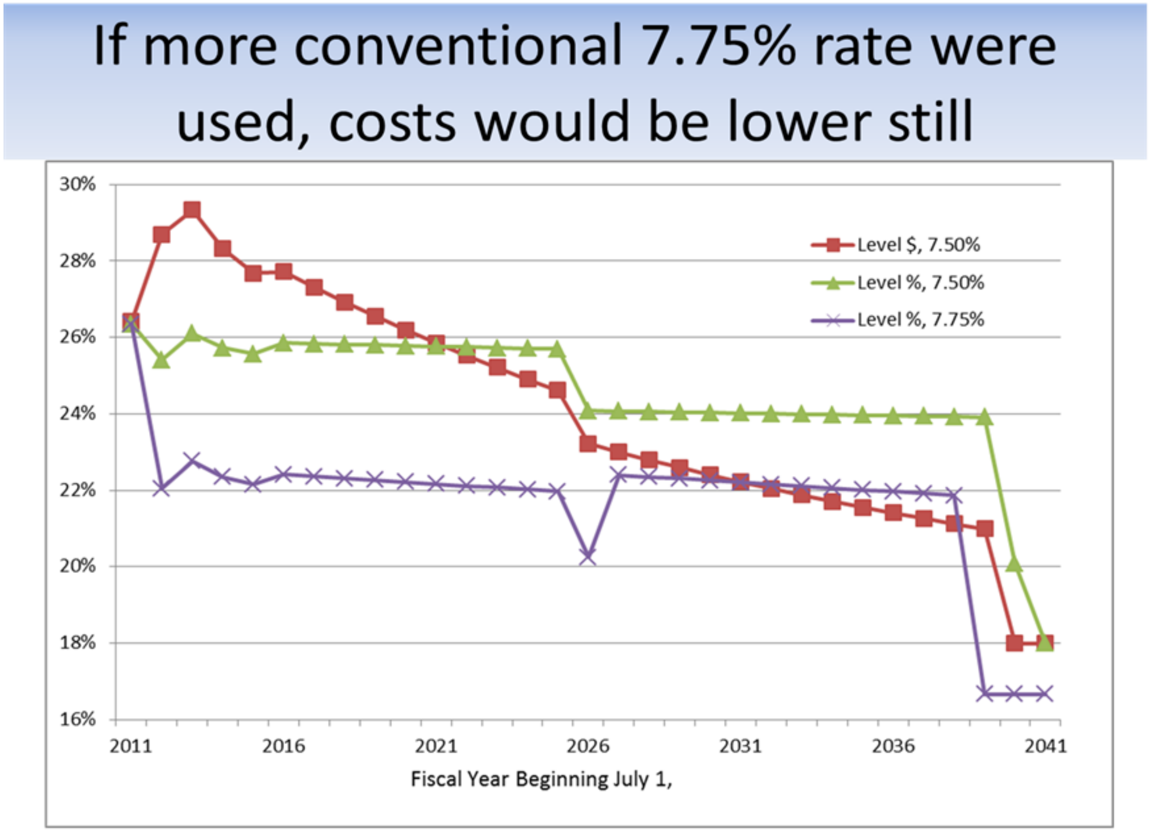


Figure 3: combined effect of level % of salary and 7.75% discount rate on annual contributions required to amortize unfunded liability and meet "normal" cost
(Source: Actuarial Briefing—Faculty Webinar, November 1, 2012 by William Fornia, FSA)

Online Education

In the past year we have had lively discussions on our campus about online education. Nationally, university and government officials have been pushing for using more technology in the classroom with hopes of educating more students at a lower cost. Although many issues have been raised, CFW is concerned that many important questions remain unanswered. Before our campus makes any major commitment to online education we need a better understanding of goals, costs, and long term effects on both students and faculty. CFW certainly agrees that technology and some forms of online education can be tremendously useful in the classroom. But it is clear that some advocates have a vision of replacing the live professor with video presentations and exams. We are not convinced that this is an effective way of teaching. Given the lack of clarity surrounding online education and the agreement with Coursera, CFW identifies five areas of fundamental concern.

1. Is Online Teaching Effective? Advocates of online education, especially advocates of MOOCs (massive open online courses), often begin by saying that teachers have been lecturing to students in the same way for 5,000 years, and that it is time to change. This raises the interesting question of why face-to face teaching has persisted for 5,000 years. It has survived the invention of inexpensive books, of radio, and of the popularity of correspondence schools in the early 1900's. In the 1960's universities everywhere installed large TV monitors in classrooms because of the promise that televised lectures could replace traditional forms of teaching. Yet the interaction of teacher with students remains the predominant method of education.

There seems to be something special about getting information from a live person, as opposed to a video of that person. Of course, a major difference is the sense that the teacher "cares about" the students, but there are also poorly understood clues and signals that occur in these interactions. Interaction with a live person imposes a different kind of behavior and discipline on the interacting parties. Even in a large lecture hall the teacher can get a sense of whether students are "getting it." Verbal communication and teaching has been evolving in humans for over 100,000 years. We are hard-wired to interact in a special way with fellow human beings. There is some evidence that information learned through online teaching is not retained as well as information learned through "in person" teaching. It would not be surprising to find that we store this information in different parts of our brain.

The faculty of the Philosophy Department at San Jose State University recently wrote a public letter to explain why they opposed the use of MOOCs. Members of CFW found this to be an articulate and thoughtful expression of the concerns we have about online education. We recommend it highly.

http://chronicle.com/article/The-Document-an-Open-Letter/138937/

2. We need a clear idea of the administration's goals for online education. Online education has been developing on our campus for several years, but the issue has become more urgent because of the newly formed relationship with Coursera. We would like to have a better understanding of why the administration has decided to focus its efforts to explore online education in this manner at this time. CFW believes that involvement of a private company in the development and delivery of our curriculum has the potential to irrevocably change the nature of teaching, the role of the faculty, and the experience of students on our campus.

CFW would also like to have a better sense of the potential scale of our involvement. In the next few years how many online courses are likely to be offered? In what areas? What involvement are we likely to have with other online companies or with UC Online?

3. The role of the Senate in scrutinizing the University's agreement with Coursera. At its meeting of May 2, 2013, CFW sought to determine what steps the administration took to consult with the Senate before signing an agreement with Coursera, what responses were received from Senate committees, and to what degree those responses were incorporated into negotiations. The Committee's understanding is that the University rushed into a partnership with Coursera because at that time (February 2013), Coursera intended to implement a new policy of restricting partnerships to universities that are members of the Association of American Universities (AAU), a change that would have excluded UCSC from forming any partnership at all. An e-mail to the faculty on February 20, announcing the partnership between UCSC and Coursera, alluded to just this complication as a factor in the administration's decision to sign the agreement, writing that "[o]ur presence in this program places UC Santa Cruz in the company of the nation's AAU institutions and the top 5% of international universities." According to more recent reports in the national media, Coursera is reconsidering its policy of excluding non-AAU institutions from partnerships and may end it.[1] If that is the case, we may have been able to sign the agreement after a period of thoughtful study and deliberation.

On March 11, Senate Chair Joe Konopelski informed CFW that the Senate had taken no position on the agreement with Coursera because it had not been giving adequate time to study its terms or to deliberate about them. "We were asked to consult, but were not given the requisite amount of time to do so responsibly," he wrote, "and we declined, allowing this decision to be solely an administrative one."[2] CFW believes that the University's decision to sign the agreement with Coursera, without seeking the guidance of the Senate, sets a bad precedent. CFW also seeks assurances that no further agreements or modifications of the existing agreement will be undertaken without asking the Senate to scrutinize them.

CP/EVC Galloway has informed the Senate that the administration is in the process of developing a website that will provide information about online education, including information about Coursera and the Coursera partnership; copyright; accessibility; and online course development tools. Presumably, this website will try to address concerns that have been raised since the administration signed the agreement with Coursera. It is our understanding that an ad hoc subcommittee of the Senate Executive Committee (SEC) has been created to vet course proposals for the Coursera platform.

4. The terms of the University's agreement with Coursera. At the CFW meeting of May 2, the Committee obtained a copy of the agreement. The agreement is a densely-written legal text of more than forty pages, and it needs to be studied carefully and discussed extensively by

[1] Ry Rivard, "Coursera's Contractual Elitism," *THE MOOC MOMENT* (Inside Higher Ed, May 2013), 7-8.
[2] Email Correspondence: Konopelski to Duane, 3/11/13, Re: Shared Governance

different Senate committees and the Senate as a whole. CFW takes no position on the agreement at this time. However, the Committee joins Greg Laughlin (Chair, Committee on Computing and Telecommunications) in calling on CP/EVC Galloway to provide a summary of the agreement's terms, along with a statement addressing such topics as the rights and obligations of faculty members who offer Coursera courses.[3]

Developing and providing online courses for the Coursera platform might entail revisions to long-standing practices of institutional oversight and obligation with respect to the curriculum. These changes could have serious implications for the allocation of resources for teaching and learning at UCSC, the authority of the faculty to determine the nature and content of academic programs, and the rights of faculty members with respect to their course materials.

At this point, CFW seeks clarification about three specific aspects of the agreement with Coursera.

First, what provisions were made for revising or abandoning the agreement? At a time when faculty members at a growing number of peer institutions are rejecting, reconsidering, or nullifying partnerships with Coursera and other companies--including Amherst, Duke, San Jose State University, American, and Harvard--it is especially prudent to be well informed about our options for taking a similar course.

Second, acknowledging both that faculty and staff labor associated with creating and teaching courses on the Coursera platform will necessarily be significant and ongoing, and also that the costs of that labor have not yet been clearly articulated by the administration, CFW wants to know what those costs are, how they have been calculated, and whether the necessary support for maintaining the high educational quality will be sustained over time. Who will pay these costs, and who stands to profit from the investments that the University will make in the creation and maintenance of Coursera courses? How will this labor be accounted for in terms of workload, at both an individual and collective level? At a public forum concerning online education on April 26, 2013, CP/EVC Galloway explicitly indicated that at least some resources would be diverted from "traditional" forms of instruction to pay for the unspecified costs of initiating courses on the Coursera platform. CFW is concerned that a decision of this consequence has been made in an environment in which there is no specific or credible information about the expense of creating courses for Coursera. It has been suggested that costs may be as low as $20,000 per course, or as high as $100,000 or more.

Third, to what degree does a course offered on the Coursera platform belong to an instructor, the University, and to Coursera? According to Exhibit G-1 of the agreement, instructors and guest presenters "irrevocably grant University the absolute right to use, store, host, publicly broadcast, publicly display, public [sic] perform, distribute, reproduce and digitize any Content [they] upload, share or otherwise provide in connection with the Course or my use of the Platform, including the full and absolute right to use [their] name[s], voice[s], image[s] or likeness[es] (whether still, photograph or video) in connection therewith, and to edit, modify, translate or adapt any such Content ("Content Enhancements") for the purposes of formatting or making

[3] Laughlin to Galloway, 4/17/13, Re: Leadership on Coursera Partnership

accommodations to make Content accessible to people who have disabilities. To the extent [they] create or develop any software, interfaces or assessment features for use in connection with the Course or Platform ("New Features"), and to the extent permitted by law, [they] hereby irrevocably grant the University the right to use [their] contributions to the New Features for any and all features solely in connection with, and for the duration such entity offers the Course as authorized by University." This stipulation redefines the assertion made in 7.4(a) of the agreement that intellectual property rights remain with "the Instructor and University", so that the university rather than the instructor controls use, and it also contradicts statements that were made at the forum about Coursera and online education on April 26. CFW is concerned that, under the agreement, instructors cannot possibly be seen as being in possession of full ownership rights to their course materials.

5. A lack of consensus about the University's experiment with online education. Public forums, private committee meetings, and informal conversations have given clear evidence that the faculty is not only divided about the University's agreement with Coursera but also confused about the University's objectives concerning online education in general. Some faculty members are eager to embrace new technologies as resources for teaching and learning. Others are more cautious, not because they fear these technologies, but because they have legitimate concerns that the University's rationale for introducing such consequential changes to the curriculum have not been studied and deliberated adequately. CFW believes that in order for the University's experiment with online education to be successful, the faculty itself must be well-informed and united. Complete transparency about the Coursera agreement, administrative willingness to address the questions and concerns of CFW and other committees, and a full-scale discussion about online education, involving the entire Senate in a public session next fall, will all be essential in restoring an environment of mutual respect and trust, and in securing widespread support for an endeavor of this scale, complexity, and risk.

Respectfully submitted,

COMMITTEE ON FACULTY WELFARE

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