COMMITTEE ON FACULTY WELFARE
Updates on Child Care, Faculty Salaries, Healthcare, and Retirement

To: Academic Senate, Santa Cruz Division

During the 2015 winter and spring quarters, the Committee on Faculty Welfare (CFW) met bi-weekly and in sub-committees to address issues that affect the general welfare and the overall quality of life for UCSC faculty, including faculty salaries, child care, housing, health care, and retirement. This report to the faculty Senate provides information regarding recent developments on several of these topics.

The committee invites you to share your comments and thoughts regarding these topics on the Senate floor on May 29, 2015.

Salaries

For many years, UCSC salaries were among the lowest in the UC system. Analyses indicated that this was primarily a consequence of the increased use of off-scale salaries by campuses to attract and retain faculty, with some campuses acting more aggressively than others. In response to a joint Administration/Senate Task Force on Salaries, in 2008-2009 the administration, in cooperation with the Committee on Academic Personnel (CAP), initiated a "Merit Boost Plan." The stated goal was to bring UCSC to the UC salary median. Annual analysis by CFW over the subsequent years indicated that this action had an initial significant positive effect, but our review of the most recent data from October 2013 seems to indicate a potential pause in trend, when compared to previous years. Furthermore, with other campuses initiating similar programs, we have fallen short of the plan's initial goal of reaching the systemwide median.

Another issue that should be addressed is the inversion and compression of salaries across ranks and scales. Our analysis shows that off-scale salaries are relatively flat or even inverted over rank and scales at UCSC, a pattern that has emerged partly out of the need to offer more competitive salaries in recruiting junior faculty as UC on-scale salaries have fallen well below market. As with retention actions, this has created significant salary inversions/inequities within departments/divisions, as well as compression across ranks. For faculty who undergo normal merit review and promotion, there is no "market pressure" to award an "appropriate" off-scale. Members of the committee feel that such compression of salaries is counter to rewarding loyalty, or exceptional work later in career.

In light of our recent salary analysis, as well as the findings of the recent UC Total Remuneration Study[1] (see discussion below), it is CFW's strong recommendation that, at a minimum, the Merit Boost Plan be continued until UCSC salaries reach the UC median. This would bring our salaries in line with other coastal campuses, such as UCSB, UCSD, and UCI, where the cost of living is comparable. The Merit Boost Plan could also be modified to better address compression and inversions, particularly in meritorious cases.

[1] 2014 Update of Total Remuneration Study for General Campus Ladder Rank Faculty, Presentation of Final Results, July 30, 2014.

Total Remuneration

As noted above, in fall 2014, the Office of the President (UCOP) released the results of a comprehensive Total Remuneration (TR) study of UC system-wide Ladder Rank Faculty (LRF) based on data from 2009 and 2013. Total Remuneration reflects total compensation, factoring in the value/cost of health and retirement packages, and other benefits, along with salaries. To assess the market competitiveness of TR for UC faculty, the data were weighed against a group of comparison institutions, the "COMP 8" (Harvard, MIT, Stanford, SUNY Buffalo, U. of Illinois, U. of Michigan, U. of Virginia, Yale). In 2009, total remuneration for UC system-wide LRF was comparable to that of the COMP 8. However, by 2014, total remuneration for the UC system declined to -10% relative to the COMP 8. This was primarily a consequence of a precipitous drop in the total value of the UC retirement package as individual contributions were raised to 8% in the aftermath of the financial crisis, while salaries remained relatively flat.

At the request of several campuses, in April 2015, UCOP released the campus-by-campus breakdown of the TR study. As expected, TR relative to the COMP 8 varies widely between UC campuses, from a high of +2% for UCLA to lows of –20 and –21% for UCSC and UCR, respectively (excluding UCSF & UCM). This disparity in TR highlights the significance of the large salary differences between the low tier and high tier UC campuses, differences that are amplified through the value of retirement benefits. Any future modifications to plans that shift a greater percentage of the contribution by faculty, and/or reduces the benefits, in the absence of offsetting increases in salaries, will continue to erode TR.

Child Care

During the February 2, 2015 winter Senate meeting, CFW submitted a report[2] that briefly recapped the history of efforts to establish employee childcare at UCSC. The report may be found on the CFW page of the Academic Senate Website under "Child Care."

Since this report was submitted, it would appear that the campus has been moving forward in researching options for securing child care for UCSC employees. Although this movement is a bit slower than CFW would have hoped, during a recent consultation with CP/EVC Galloway on April 2, 2015, the committee was pleased to hear that Vice Chancellor of Business and Administrative Services, Sarah Latham, is now the official campus point person for employee childcare. Latham has been charged with determining feasible options for the campus, and a plan for securing employee child care.

The committee was also pleased to hear in consultation that the CP/EVC plans to reinstate the Campus Welfare Committee (CWC) and the Child Care Advisory Committee (CCAC) in fall 2015. CFW looks forward to reviewing and commenting on the proposed CCAC charge by the end of spring quarter, 2015. We urge broad representation of faculty and staff on the CCAC, and an initial focus to secure concrete steps toward establishing some form of employee childcare in 2015-2016. Further, we have requested that VC Latham provide regular reports and updates to the CCAC, so that planning is not undermined by incomplete information or redundancy of efforts.

---

[2] Committee on Faculty Welfare, A Brief History of Employee Child Care at UCSC and Recommendations for Moving Forward, February 4, 2015.

As noted in CFW's report of February 4, 2015, CP/EVC Galloway has confirmed that $730k of the original $750k funds set aside for employee child care still remains. During CFW's recent consultation, we were informed that the CP/EVC's intention is to use these funds to build a pool of $2 million in order to receive a matching fund offer from UCOP to secure childcare facilities. CP/EVC Galloway noted that once established, it is estimated that the campus investment to run a childcare program for employees would be roughly $250k/year. While the CP/EVC is researching options with VC Latham and Campus Council, CFW recommends that starting 2015-16, the campus continue its former commitment of setting aside funds for child care, and add $250k/year to this pool in order to reach the $2 million goal of the matching grant in five years, and take advantage of this UCOP match funding opportunity to establish an employee child care facility.

During the spring quarter of this year, the University Committee on Faculty Welfare (UCFW) began its analysis of the employee child care options at each of the UC campuses. The data collected thus far only further highlight the alarming fact that UC Santa Cruz is the only UC campus with no child care options for employees, and re-emphasizes the need for UCSC to secure some form of employee child care as soon as possible.

Healthcare
The University of California health plans are monitored by the UCFW Health Care Task Force (HCTF). No major changes in plan offerings are anticipated for 2015-16. Increases in premiums are expected to be modest for both Health Net and UC Care (~<5%). Beyond 2015-16, plans are still being explored for adding an HMO option to UC Care.

Retirement
The University of California Retirement Plan (UCRP) is monitored by the University Committee on Faculty Welfare (UCFW) Task Force on Investment and Retirement (TFIR). The funding status of the plan continues to improve with recent market returns well above the actuarial assumption of 7.5%, and employer and employee contributions representing 14% and 8% respectively, of covered compensation for the 1976 tier (employee contributions are 7.1% of covered compensation for those hired after July 1, 2013, with the exception of employees represented by certain collective-bargaining agreements). The 22% total contribution exceeds the normal cost of the plan by just under 4% of covered compensation, and the additional contributions go toward reducing unfunded liability.

The plan earned a 17.42% return for 2013-14, and the funded status was just under 80% on July 1, 2014 (on an actuarial basis); 87% using the market value of assets. The $700 million contributed to the Plan by borrowing from the University's short-term investments funds (STIP) in August, 2014 (to be paid back from an assessment on covered compensation, added to the employer's contribution), coupled with another year of 14% employer/8% employee contributions, also reduces the unfunded liability, and means that the University is essentially contributing the full ARC (Annual Required Contribution) for 2014-15; ARC is determined by the Regents funding policy and represents that amount that must be contributed to move toward 100% funding, assuming that the Plan continues to earn 7.5%. Paying down the unfunded liability either through borrowing or other means, while maintaining the level of contributions, can accelerate the return to 100% funding.

Respectfully submitted;
COMMITTEE ON FACULTY WELFARE
Noriko Aso
Adrian Brasoveanu
David Cuthbert
Ted Holman
Andrew Mathews
Benjamin Read
Nina Treadwell
Manfred Warmuth
Roger Anderson, *ex officio*
James Zachos, *Chair*

May 15, 2015