The Regents of the University of California met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents Cheng, DeFreece, De La Peña, Gould, Hime, Island, Johnson, Kieffer, Lansing, Lozano, Makarechian, Marcus, O’Connell, Schilling, Varner, Yudof, and Zettel

In attendance: Regents-designate Hallett, Mireles, and Pelliccioni, Faculty Representatives Anderson and Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice Presidents Brostrom, Darling, and Taylor, Senior Vice President Stobo, Vice Presidents Beckwith, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Katehi, and White, and Recording Secretary McCarthy

The meeting convened at 8:45 a.m. with Chairman Gould presiding.

1. **PUBLIC COMMENT**

Chairman Gould explained that the Board had been convened as a Committee of the Whole in order to permit members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

A. Mr. Jelger Kalmijn, president of University Professional and Technical Employees Communication Workers of America, former UC San Diego student and employee there for more than 20 years, expressed his opinion that the union had not been sufficiently consulted regarding issues to be discussed at the current meeting. He also conveyed union members’ concerns about rising health plan premiums and the limited choice of doctors in the Health Net Blue and Gold Plan. He also expressed concern about the proposed two-tier retirement plan and its effect on employee morale.

B. Ms. Latisha Chisholm-Duper, chairperson of the Social Welfare Graduate Assembly at UC Berkeley’s School of Social Welfare, acknowledged current economic pressures on the UC system and noted that her organization was not uniformly opposed to an increase in professional degree fees. She expressed the opinion that the consultation process in arriving at the proposed fee increases was flawed and that the fees violate Regents’ policies. She urged the Regents to vote against the proposed professional fee proposal because of lack of consultation with School of Social Welfare faculty and students, undue financial burden on
C. Ms. Anytra Henderson, acting president of the statewide Coalition of University Employees (CUE), Teamsters Local 2010, expressed concern for the female workforce, including clerical staff, who have had no pay increase while being asked to pay increased contributions for health care and retirement.

D. Mr. William Hallmark of Cheiron, Inc. stated that Cheiron was asked by the International Brotherhood of Teamsters to review proposed changes to the UC Retirement Plan (UCRP) Options A and B. He noted that his analysis showed that benefit reductions in options A and B target low-income employees, while pension benefits for high-income employees would be unchanged. He also noted that Social Security was included in the proposals’ description of provided benefits, but not in the discussion of contribution rates. If Social Security were included, then lower income employees pay a higher contribution rate and would receive a smaller benefit per dollar contributed than more highly paid employees. He recommended that if employee benefits were designed taking Social Security into account, then employee contribution rates should also take Social Security into account.

E. Mr. Sameer Khan, UC Berkeley student and chair of the Council on Student Fees, reported that students are not in favor of the proposed fee increases. He stated that middle-income families and undocumented students would pay the full Student Services Fee. He expressed the opinion that proceeds from any increase in the Student Services Fee should remain with students. He also stated that the issue of student fees should not pit students against the UC administration, since it is really a state issue. All of California benefits from UC and its cost should be shared.

F. Mr. Filiberto Nolasco, a Ph.D. student at UC Santa Barbara and member of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) Local 2865, the union for teaching assistants at UC, noted that it had been an important first step to settle the contract the prior night. He expressed concern about UC labor practices. He stated that it took 18 months to settle the contract with the union representing postdoctoral scholars. He noted that he supported the CUE Teamsters and all the other unions. He urged fair treatment of workers at the bargaining table and at the workplace.

G. Mr. Jason Schultz spoke on behalf of the union coalition representing close to 45 percent of the workers against the fee increase and the proposed two-tier retirement system. He stated that the increase in retirement age for full benefits would not help the general funding of the UCRP. He advocated creation of a rational funding plan and expressed willingness to meet with the Office of the President. He urged inclusion of union representatives in discussions. He
expressed the opinion that proceeds from an increase in student fees should be put into the classroom. He also advocated for improved services for international students.

H. Mr. Joe Pulido, retired after 30 years as a senior building maintenance worker at UC Berkeley and grandparent of a current UC Berkeley student, spoke about cuts to pensions and health care benefits for retirees. Mr. Pulido recalled that he spent 30 years doing hard physical labor. He expressed concern that his health care expenses would escalate while he is on a fixed income. He stated that it is wrong to make workers with difficult physical jobs wait five more years to retire.

I. Ms. Judy McKeever, a registered respiratory care practitioner at UCSF Medical Center for 15 years in the intensive care unit, reported that she works 12-hour night shifts, on her feet the whole time. She experiences back and knee pain. She noted that this hard physical work is different from faculty work. She expressed concern about lack of opportunity for input from her union about proposed changes to the retirement plan.

J. Ms. Cecilia Gil, who has worked for over 15 years for a subcontractor at UC Irvine, expressed concern about working for various subcontractors rather than being an official UCI employee. She stated that she cannot count on a pension plan, even though she has worked at UCI for many years.

K. Mr. Johnny Garcia-Vasquez, state legislative liaison for UC Berkeley Associated Students of the University of California (ASUC), stated that students are struggling to pay recent student fee increases. He commented that an additional eight percent fee increase would be very difficult for him, since he is a first generation college student from a low-income, single-parent household. He expressed concern about his debt burden when he graduates. He urged the Regents to vote against the proposed fee increase.

L. Ms. Cindy Ramirez, a freshman at UC Santa Cruz, stated that she had turned down an offer of admission from Brown University because she thought that a UC education would be more affordable. She stated that she might have to drop out of school this year and disappoint her family. She asked the Regents to vote against the proposed fee increase.

M. Ms. Carrie Schiff, a UCSF nursing student, stated that the proposed fee increase for nursing students is 31 percent. She reported that some nursing students would graduate almost $100,000 in debt. She noted that she had wanted to work in primary care in underserved communities, but that would be difficult with such a large debt load. She also expressed concern about access to the University for minority populations if fees are so high. She urged the Regents to vote against the proposed fee increase.
N. A UC Santa Cruz student expressed concern about students dropping out of school because of fee increases.

O. Ms. Jasmine Hill, UCLA undergraduate student body president, stated that she represents 28,000 students and expressed concern about student fee increases. She urged protection for undocumented students from the fee increases. She urged the Regents to research how the fee increases are affecting students.

P. Ms. Natividad Serrano, a worker for a subcontractor at UC Irvine, stated that she wants to work directly for the University. She stated that the subcontractor does not provide adequate supplies so that the workers can do their jobs for the students.

Q. A UC Merced fourth year undergraduate stated that he would graduate with $25,000 of debt, more than his parents earn each year. He stated that he needs to support his extended family members when he goes home. He expressed concern about the effect fee increases would have on diversity at UC.

R. Ms. Maria Belman, an organizer with the Coalition to Defend Affirmative Action, Integration, and Immigrant Rights and Fight for Equality By Any Means Necessary and an undocumented student at UC Berkeley, stated that she cannot receive any financial aid because she is an undocumented student. She stated that, while she is capable of succeeding at the University, she has had to withdraw from Berkeley twice because she cannot afford the tuition. She stated that the Blue and Gold Opportunity Plan does not apply to undocumented students.

S. Mr. Robert Meister, President of the Council of UC Faculty Associations, criticized the Blue and Gold Opportunity Plan. He urged UC to increase access for students from middle-income families. He proposed capping tuition at ten percent of family income.

2. REMARKS OF THE CHAIRMAN OF THE BOARD

Chairman Gould acknowledged the work of Governor Schwarzenegger in supporting higher education in the recent State budget. He commented on the bleak fiscal outlook facing UC. The State budget provided UC $370 million, slightly less than half of the amount the State cut from UC the prior year. UC’s funding from the State is still far below its 2007-08 level. Of the current budget, $106 million is from one-time only federal funds. While the State provided funding for retirement plans at California State University and the community colleges, it provided no funding for the UC Retirement Plan, resulting in a $100 million loss to the University. UC is currently grappling with unfunded retirement costs and unfunded students. The current Governor has called a special session of the Legislature to deal with a $6 billion budget gap; the newly-elected Governor has said that budget cuts would be a priority. The Legislative Analyst’s Office has identified a $24.5 billion budget gap and estimated a continuing $20 billion gap over
the subsequent five years. UC may face mid-year funding cuts in the coming months. UC funding is 40 percent lower than it was 20 years ago.

Chairman Gould stated his opinion that UC is the best higher education value in the world. He pointed out that the University has done much beyond increasing student fees to confront its fiscal situation. UC employees were furloughed for more than 650,000 days in 2009-10, which saved $236 million; more than 2,700 positions were eliminated. Chairman Gould commented that he considers these actions to be emergency measures and not long-term solutions.

Chairman Gould stated that the University must reexamine all aspects of its operations. He noted that the Office of the President has been downsized; he anticipated that $100 million could be saved in the current year through a systemwide campaign to improve administrative efficiencies and hoped this amount would grow in five years to $500 million in annual savings. He noted that UC has also reexamined its retirement system.

In December, the Regents would receive the report of the UC Commission on the Future, the result of a year-long project examining administrative and academic efficiencies. Chairman Gould acknowledged that the State is in a very difficult financial situation, but stated that the Regents cannot be deterred from advocating on behalf of the University.

Chairman Gould stated that he considers student fee increases to be the most difficult issue faced by the Regents. He urged the Regents to be open to the voices of students, faculty, and staff, while facing the existing challenges with optimism.

3. REMARKS OF THE PRESIDENT OF THE UNIVERSITY

President Yudof remarked that it is his job to get UC past the current financial crisis toward a better future, while preserving UC’s excellence. He noted that the Regents have begun to deal with large issues facing UC, one at a time. He pointed out that the Office of the President had reduced its staff by 600 positions, with approximately 100 of those positions going to the campuses, but the others remaining unfilled. Furloughs saved $236 million. He would like to accelerate the five-year Working Smarter proposal, the goal of which is to save $500 million per year in recurring costs. The UC Retirement Plan’s $21 billion unfunded liability must be addressed.

President Yudof commented that the Regents must be realistic in the current environment. In this difficult time for pension funds, half of Fortune 500 companies have eliminated defined benefit retirement plans. UCRP has particular problems, since the State and employees made no contributions for 20 years. He noted that, had contributions been made for the past 20 years, UCRP would not be in its current situation. President Yudof pointed out that any effort to save money almost inevitably involves people, since 70 percent of the UC budget is for personnel. UC also has many fixed costs, such as rising energy costs, retiree health benefits, and union contracts. He pointed out that California State University (CSU) receives 19 percent of payroll from the State for its
retirement program, while UC receives nothing. UC’s budget requests would seek to place UC on the same footing as CSU and the community colleges. President Yudof stated that he would present several interrelated proposals: changes to the retirement program, raising undergraduate fees for 2011-12, and expanding financial aid programs.

Regarding revisions to the pension plan, President Yudof stated that he rejected Options A and B because of their effect on lower-paid employees. He chose Option C, which is aligned with recommendations of the Academic Council and the Council of the University of California Staff Assemblies. He noted that the new tier created for employees hired on or after July 1, 2013, is a very good plan, retaining the 2.5 percent benefit for each year of service. The new tier would cost the University 20 percent less. President Yudof shared the concerns expressed by Mr. Samuels during the earlier public comment session regarding the difficulty of extending the retirement age for full benefits to 65 for workers with physically demanding jobs. President Yudof commented that this is a legitimate problem that would be discussed during the collective bargaining process.

President Yudof emphasized that benefits for current employees would not change, although both employees and the University would pay more. He noted that UC would have to adjust to accommodate necessary employer contributions to UCRP. Over time, the unfunded liability would be reduced. President Yudof conveyed that UC would still have a sustainable, attractive benefit package for existing and future employees after changes to UCRP and the retiree health plan were approved. He commented that there had been some media criticism that the new proposals are too generous. President Yudof emphasized that UC has a mission that he considers the most important of any State agency and must provide an excellent benefit plan for its employees.

Regarding student fees, President Yudof stated his belief that the $822 annual increase is necessary. This increase would raise $180 million in annual revenue, with $64 million of that going back into scholarships, leaving a net revenue increase of $116 million. This increase in revenue would allow campuses to reinvest in faculty hiring, expand course offerings and academic support, and allow contributions to UCRP. The proposed fee increase solves only a small portion of the budget problem; other savings would come from measures such as increased efficiency and debt restructuring. The proposed fee increase represents only 3.5 percent of the $3 billion core budget for educational purposes.

President Yudof noted that, should the Regents decline to approve the proposed recommendations, the University would still face $340 million in increased annual fixed costs. Other alternatives would include actions such as eliminating programs, further layoffs, or reducing enrollment. If the increase in student fees were approved, UC annual tuition would be slightly over $12,000, less than the University of Michigan, Pennsylvania State University, and the University of Illinois. President Yudof stated that he wishes a UC education could be free as called for in the California Master Plan for Higher Education (Master Plan), but the State is not funding the Master Plan. He pointed out that the State now spends more incarcerating prisoners than it does on education, and UC must deal with this reality.
President Yudof affirmed that UC’s goal must be to fulfill its mission of excellence in undergraduate education, medical research, and medical treatment, including treatment for the indigent. He emphasized that the critical question is the composition of the University’s student body. Despite the 32 percent fee increase of the prior year, the number of Pell Grant students (who are students from families earning less than $50,000 annually) increased from 31 to 39 percent. This rate is three times that of any school in the Ivy League. President Yudof also pointed out that UC educates students from backgrounds that make achievement more difficult: over half of UC students come from families in which the primary language is not English; about one-third of all UC students are the first in their families to attend college. The dropout rate has been flat over the last few years. The number of visits to the new UC admissions website has nearly doubled over the last year. UC volunteers and professionals are doing an outstanding job of reaching out with college counseling to high school students.

President Yudof noted that the Blue and Gold Opportunity Plan will now assist financially qualified families with annual incomes up to $80,000, or 60 percent of all California families. For the upcoming year, qualified families earning between $80,000 and $120,000 would not pay the increase in fees.

President Yudof acknowledged that the Board faces difficult decisions. Employees would have to pay more for their retirement; students would pay more. He expressed optimism that these proposals would help to stabilize UC’s financial situation, would mitigate the pain for students, faculty and staff, and enable the University to move forward.

President Yudof reported that he is working with the Academic Senate on the use of a holistic review admissions process and will bring this to the Regents in January. He complimented UC San Diego Chancellor Fox who was unable to attend today’s meeting because she is being honored as a recipient of the National Medal of Science by President Obama at the White House. He also congratulated UC Press and the Mark Twain Papers and Project at UC Berkeley on the spectacular success of “The Autobiography of Mark Twain,” which was published this month and debuted at number two on the New York Times Best Sellers List.

President Yudof invited Chancellors Birgeneau and White to comment.

Chancellor Birgeneau noted that it was almost one-and-a-half years ago that UC faced the dramatic withdrawal of 20 percent of State funding, which left UC Berkeley with a $120 million deficit for 2009-10. He echoed President Yudof that the campuses at that time took a number of difficult, but necessary, measures such as furloughs, layoffs, and staff and faculty hiring freezes. He noted that UC Berkeley and the other campuses have been working extremely hard to create a new, sustainable funding model designed to maintain their comprehensive excellence and accessibility. He pointed out that in 2009-10 the State funding to support UC Berkeley’s educational costs was less than 16 percent of the campus’ overall budget. In spite of this reduction in State support, this
year Berkeley has the largest percentage of low-income students in its history. The cost of attending UC Berkeley for low-income students has actually gone down.

Chancellor Birgeneau stated that given the enormous financial obligations facing Berkeley, such as the cost of post-employment benefits, the need to provide competitive salaries for faculty and staff, escalating medical benefits, and infrastructure needs, UC must have new, diversified revenue streams coupled with institutional cost control. Increasing student fees is one source of revenue, although he hoped that any increase would be moderate and not affect UC’s most financially challenged students. Another potential source of revenue at UC Berkeley would be to replace some of the unfunded, over-target California residents with out-of-state and international students who pay the actual cost of their education. Berkeley also has a $3 million fundraising campaign; last year Berkeley’s funding from private philanthropy exceeded support received from the State, for the first time in its history.

Chancellor Birgeneau reported that Berkeley has been putting revenue from nonresident students into addressing basic educational challenges, such as reading and composition courses, mathematics and science courses, language courses, and diversity outreach. UC Berkeley has launched its Operational Excellence initiative to improve efficiency. UCB began eliminating positions at the top, removing a vice chancellor position, an assistant vice chancellor position, deans’ positions, and associate provost positions. Senior administration is the only group that has actually decreased in size over the past decade. Approximately 600 staff positions were eliminated through a combination of retirements and layoffs. Berkeley projects savings of $100 million annually through the Organizational Simplification Initiative, which would eliminate approximately 200 middle management positions. Berkeley eliminated five intercollegiate athletic teams, since intercollegiate athletics had an unacceptable budget shortfall of $13 million the prior year.

Looking forward, Chancellor Birgeneau emphasized that, since salaries for represented staff would rise three percent in the current year and required employer contributions to UCRP would increase three percent, Berkeley would require six percent more revenue just to stay even. He stated that he considers it unfair that non-represented staff have not had a salary increase for several years. He believes it critical to address this situation in the coming year. Turning to faculty retention, Chancellor Birgeneau reported that, in the past year, 110 of Berkeley’s 1400 faculty had lucrative outside offers, mostly from private East Coast universities. Berkeley has been able to retain 70 percent of faculty with outside offers. He emphasized that if UC’s financial issues are not addressed, the University would not be able to maintain the high-quality faculty who have made UC a world leader. UC must invest in its faculty. In the recent Shanghai Jiao Tong world rankings, four of the top 20 universities in the world were UC campuses. Chancellor Birgeneau reiterated that UC must invest in its faculty or it will not be able to maintain its position.

Chancellor Birgeneau turned to capital projects and thanked the Regents and the Office of the President for their efforts on Berkeley’s Campbell Hall project. He noted that there
are many other campus buildings that require seismic upgrades and performance of deferred maintenance. Chancellor Birgeneau concluded by urging the State to fulfill its responsibility to support UC, beginning with the pension fund.

Chancellor White stated that the Regents face difficult decisions. He reported that UC Riverside’s unfunded mandates of the past few years were equivalent to a seven percent budget cut, in addition to the 20 percent cut in State funding. He appreciated the President’s and Regents’ advocacy to the Governor and State Legislature. He noted that decisions made by the Regents would determine whether Riverside could continue its upward trajectory toward its goal of becoming an American Association of Universities (AAU) campus.

Chancellor White reported that currently more than 10,000 of the 21,000 students at UCR receive Pell Grants and 55 percent of the student body are the first in their family to attend college. He expressed support for the proposed fee increase, knowing that one-third of the increase would be returned to financial aid. The majority of UCR’s most needy students would be protected from the fee increase by student aid, Pell Grants, and the Blue and Gold Opportunity Plan. The proposed fee increase, less the portion set aside for student aid, would bring about $10 million to UCR, an amount equal to 80 faculty full-time equivalents (FTEs) or UCR’s entire mathematics, physics, or biology departments.

Chancellor White reported that UCR is taking major steps to increase efficiency. He noted that faculty total compensation must be competitive. For the pension fund to remain robust, both employer and employees must contribute for the good of the whole. While resuming retirement contributions is painful for employees, particularly low-income employees, the employer contribution is also a burden to the institution. Cost of post-employment benefits at UCR would be $6.6 million in the current year, and would rise to $11.5 million the subsequent year, an amount equal to 91 faculty FTE. The combined amount of all unfunded mandates at UCR is the equivalent of 174 faculty FTE, or the entire College of Engineering, the Graduate School of Education, or the School of Business Administration. The real effects of these budget shortfalls make it clear that UC must find additional resources from State and federal governments, from students, from investments, and from philanthropy.

Chancellor White expressed concern and sympathy for students facing fee increases. He noted that financially disadvantaged students are especially concerned about the burden to their families. He expressed particular concern about the several hundred AB 540 students at UCR who cannot qualify for student aid. He encouraged these students to stay in school to honor the sacrifices made by their families. Chancellor White stated that, without increased student fees or increased State funding, significant numbers of staff jobs would be lost. The student fee increase is also necessary to help provide fair compensation for faculty. He urged the Regents to support the interrelated package of proposals before them at this meeting and in December.
4. **REMARKS OF THE CHAIR OF THE ACADEMIC SENATE**

Faculty Representative Simmons echoed Chairman Gould’s appreciation for the Governor’s support of higher education in the recent budget. Given the Legislative Analyst’s Office’s recent projection of a $25 billion State budget deficit, it is unlikely that the State would be in a position to make the necessary contribution to higher education. He urged the University to plan to maintain all campuses as highly productive research enterprises in all fields, from the arts and humanities to the hard sciences. Mr. Simmons advised that student fee increases were undertaken only as a last resort after all other options had been explored. He noted that a UC education remains an exceptional value. He commented that President Yudof’s proposed budget would protect low-income students from fee increases. The Blue and Gold Opportunity Plan is an important safety net which maintains accessibility for income levels of nearly 70 percent of California families. Mr. Simmons urged creation of a long-term strategic plan for student fees, since the State’s support is unreliable.

Mr. Simmons reported that faculty and unrepresented staff are generally supportive of proposed changes to post-employment benefits. He anticipated a formal endorsement would be forthcoming from the Academic Council. He noted the tremendous degree of loyalty to the University among both faculty and staff. Their loyalty, a cornerstone of UC’s success, rests on the belief that UC serves the public good and treats its employees fairly. He noted that current faculty and non-represented staff are undercompensated compared with peers at other institutions. He pointed out that some faculty may seek an opportunity to go elsewhere in order to negotiate a retention package at UC, rather than rely on UC’s historic peer-reviewed, merit-based salary structure. He commented that perception of an increasing pay differential between senior administrators and most faculty and staff creates an environment that is not supportive of the basic work of the University.

Mr. Simmons concluded that UC is at a crossroads. The Master Plan is not viable in the short-term and leadership at all levels is needed to identify sources of revenue to support the University’s mission.

The Committee recessed at 10:20 a.m.

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The Committee reconvened at 11:00 a.m. with Chairman Gould presiding.

**Members present:** Regents Blum, Cheng, DeFreece, De La Peña, Gould, Hime, Island, Johnson, Kieffer, Lansing, Lozano, Makarechian, Marcus, O’Connell, Pattiz, Schilling, Varner, Wachter, Yudof, and Zettel

**In attendance:** Regents-designate Hallett, Mireles, and Pelliccioni, Faculty Representatives Anderson and Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca,
President Yudof introduced University of California Student Association (UCSA) President Claudia Magaña, a third-year student at UC Santa Cruz.

Ms. Magaña stated that students had been working very hard in recent months to inform legislators, UC administrators, and community members about issues facing UC students. She expressed concern about fee increases and a climate of prejudice on campuses.

During the recent 2010 election, UCSA partnered with fellow students from California State University to register over 40,000 students, including 25,000 UC students. The 22nd annual Student of Color Conference would be held the upcoming weekend at UC Santa Barbara; this conference would focus on ways that racial tensions affect campus climates and on ways to create a safer University.

Ms. Magaña noted that UCSA recommends including the practice of restorative justice in UC’s hate-speech policy. Restorative justice practices would address the needs of the victim, promote accountability by the offenders, and create an action plan relevant to the offense.

Ms. Magaña supported union representatives in their desire to have input on discussions regarding post-employment benefits, since unions represent 45 percent of those covered by UCRP. She noted that union leaders could be key advocates in Sacramento. She expressed concern about raising the age for full retirement benefits for workers in physically demanding jobs.

Ms. Magana pointed out that incoming Governor Brown supports the Development, Relief and Education for Alien Minors (DREAM) Act. She urged passage of a Regental policy that would allow undocumented students access to financial aid in this time of increasing student fees.

Ms. Magaña stated that UCSA is opposed to the proposed increase in student fees. She urged the Regents to listen to students demonstrating outside the meeting. She read testimonials from several students regarding the personal effect of student fee increases. She asked the Regents to seek alternative revenue sources and to advocate for increased State funding.

The meeting adjourned at 11:15 a.m.

Attest:

Secretary and Chief of Staff