THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
MEETING AS A COMMITTEE OF THE WHOLE

September 15, 2010

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

Members present: Regents Blum, Cheng, DeFreece, De La Peña, Gould, Hime, Island, Johnson, Kieffer, Lansing, Makarechian, Maldonado, Marcus, O'Connell, Pattiz, Reiss, Ruiz, 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, Provost Pitts, Executive Vice Presidents Brostrom and Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary Johns

The meeting convened at 8:40 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. Ms. Bryn Forhan, a representative of the Valley Coalition for UC Merced Medical School, described the Coalition, which includes more than 1,000 health care officials, business and community leaders, and elected officials. A recent report by the Coalition, "Vision for the Valley," confirmed the need for the UCM Medical School, especially in underserved communities. She thanked the Regents and the University for their efforts for and interest in the School.

B. Mr. Rome Aloise, president of Teamsters Joint Council 7, spoke on behalf of Coalition of University Employees (CUE) members, now affiliated with the Teamsters. He noted that the Teamsters were the first union in the U.S. to bring pay for clerical workers up to the same rate as that for truck drivers. Mr. Aloise stated that the University has been unfair in its negotiations with CUE and expressed the hope that a fair and decent contract would be reached.

C. Ms. Anytra Henderson, a CUE representative, reported that CUE-Teamsters members received their last pay increase in 2007 and have been working without a contract since 2008. She stated that the University was discriminating against women and minorities in the CUE-Teamsters bargaining unit. She urged the University to agree to a fair contract.

D. Ms. Amatullah Alaji-Sabrie, a CUE-Teamsters representative, urged the Regents not to make decisions that would harm UC workers who offer frontline services to students, faculty, and the public. She stated that the University has not been a reasonable negotiating partner. She called on the University to agree to a fair contract for CUE members.

E. Mr. Richard Kerr, a CUE-Teamsters member and 35-year UC San Francisco employee, noted that his UC salary is lower than a private sector salary might be. He expressed concern about the future security of UC retirement benefits.

F. Mr. Cristopher Santos, a UCLA student, urged the Regents to advocate for the California Development, Relief and Education for Alien Minors (DREAM) Act He stated that there is strong UC-wide support for undocumented students.

G. Ms. Kelli Fallon, a UCLA student, discussed the effect of fee increases on students. She asked the Regents to put pressure on the State for more funding for higher education.

H. Mr. Filiberto Nolasco Gomez, a student at UC Santa Barbara and member of the UC Student Association, expressed support for a fair contract for CUE-Teamsters members. He noted that contract negotiations for postdoctoral scholars lasted 18 months and hoped this would not be a model for CUE-Teamsters negotiations.

I. Mr. Robert Samuels, president of the University Council – American Federation of Teachers, which represents UC lecturers and librarians, urged the University to bargain in good faith with CUE-Teamsters. He observed that many UC workers retire before age 65 and expressed concern that they might make greater pension contributions but receive lower payouts.

J. Mr. Luis Limon, a member of the UCLA Graduate Student Association, expressed concern about plans for the UCLA Anderson School of Management under which the School would raise tuition and forego public funding. He described this as privatization and cautioned that it would restrict access for lower-income students and set a negative precedent for other public professional schools.

K. Ms. Cheye-Ann Corona, a member of the UCLA Graduate Student Association, expressed concern about increased student fees and their effect on student diversity. She urged UC administrators and the Regents to defend public education.

2. **REMARKS OF THE CHAIRMAN OF THE BOARD**

Chairman Gould welcomed Mr. Robert Anderson, a professor of economics and mathematics at UC Berkeley and newly elected Vice Chair of the Academic Senate. He noted that the University was beginning a new academic year with a lingering financial crisis; the recession in California might last until 2012. The California State budget was still unresolved.

Chairman Gould observed that State support for public universities was declining across the U.S. The previous year, the State of California reduced UC's core operating funds by 20 percent. Since 1980, the portion of education costs the State contributes for each UC student has declined from 78 percent to 48 percent. This dramatic reduction is not unique to UC. The *Chronicle of Higher Education* recently reported on similar situations at the University of Washington and other flagship public universities. Over the past 15 months, the University of Washington absorbed a 33 percent reduction in core State funds. The regrettable situation of U.S. public universities would be unlikely to change in the near future.

Even if the University received the partial funding being discussed by State legislators, UC would still face extreme financial challenges. Chairman Gould expressed optimism that the University could weather what he described as a long-term battle. The University would prevail because of its hard work and new approaches to solving problems; its efforts to make better use of limited resources would continue.

Following recommendations from the UC Commission on the Future, the University has instituted the Working Smarter initiative to reduce administrative operating costs. This initiative is expected to redirect $500 million to research and educational programs over the coming five years.

At its August meeting, the Commission discussed student-focused recommendations which will come to the Regents for consideration. One recommendation is to streamline the transfer process to UC for community college students; this coincides with relevant bills currently being considered by the Governor. Other recommendations are to increase the proportion of graduate student enrollment at UC, to increase private support for scholarships and fellowships, to shorten the time required to earn a degree, and to establish a systemwide limit on non-resident students at 10 percent of total UC enrollment.

At this meeting, the Regents would examine the $21 billion unfunded liability for the UC Retirement Plan (UCRP) and for retiree health benefits. The Regents would hear recommendations from the Post-Employment Benefits Task Force and set contribution rates for the UCRP for 2011 and 2012. Post-employment benefits are a critical concern of the University and Chairman Gould anticipated a healthy debate on this topic. The consultative process was continuing and no final decisions had been made. The Regents would make decisions with the goal of meeting their obligations to current and future UC retirees, providing a stable, sustainable benefits package which would not exceed the University's funding capacity and would not come at the expense of academic quality.

3. **REMARKS OF THE PRESIDENT OF THE UNIVERSITY**

President Yudof reported that the Post-Employment Benefits Task Force has put forward a range of proposed changes to UC retirement benefits. Specific recommendations would be formulated and discussed at later meetings. Many pension plans in the U.S. are experiencing difficulties, especially public sector plans. The University's situation is not unique, but UC may be unique in that no contributions were made to the UC Retirement Plan (UCRP) for nearly 20 years. President Yudof warned that if the University were to take no action now, within four years it would spend more on retirement programs than on instruction. He emphasized that the University must be able to fulfill its promises to employees regarding retirement. The Task Force has consulted with the entire UC community, holding dozens of seminars and webcasts at UC locations, conducting surveys, and meeting with members of the Academic Senate, the UC Union Coalition, and the Council of University of California Staff Assemblies (CUCSA) leadership. It has delivered a report and recommendations to the President.

The Task Force has presented two options for a new tier for future employees. These recommendations were supplemented by a third option, contained in a report from staff and faculty members. All three options were circulated to employees, the Regents, chancellors, and others and posted on the University's website. President Yudof urged faculty and staff to examine these alternatives and to provide feedback. UC must balance fairness and the ability to recruit and retain employees with the need for a pension plan that is affordable. He stressed that current employees are secure in their pension benefits. None of the three options would affect the vested rights of current employees; they would apply to new employees as they join the UC system. The contours of the UCRP for current employees would not change, but the University and employees need to contribute more in order to stabilize funding in the UCRP and to cover liabilities. The UCRP is one aspect of the University's excellence. All three options under discussion recommend that the UCRP remain a defined benefit plan. They do not recommend a defined contribution plan. President Yudof anticipated that, following systemwide consultation, a proposal would come before the Board at the November meeting and that a plan would be approved at a special meeting in December.

President Yudof next discussed annual incentive pay. The University operates a number of enterprises; each of these businesses has its own compensation practices and standards. In the past, the University had numerous incentive plans. It has made progress in consolidating and eliminating plans. The remaining plans are those for employees in clinical enterprises and in investment and pension portfolio management. In both these areas, it is industry standard to link performance to incentive pay. The University would not be competitive without these incentive plans, which are not funded by fee income. The University has instituted a new rigorous oversight process. It will audit these plans and will strive to ensure that payments are made only for outstanding performance. President Yudof cited successes at the medical centers – increase in volume, savings through group purchasing, patient safety improvements – tied to the incentive plans, which provided opportunities for all levels of employees. The investment returns obtained by the Office of the Treasurer in the past fiscal year also outperformed industry benchmarks, with positive gains and positive relative returns. The investment management team added $672 million of value to UC's portfolio over and above the benchmark return. As in the case of the clinical incentive plan, payout is directly related to performance.

Finally, President Yudof noted that he was proposing to add a represented employee to the Investment Advisory Group of the Committee on Investments. He then introduced Chancellor Block.

Chancellor Block discussed the self-sufficiency proposal for the UCLA Anderson School of Management. The School has been developing a new funding model which would benefit UCLA by making additional support available for undergraduate programs. Chancellor Block expressed his conviction that the campus could accomplish this while remaining dedicated to its mission as a public university and ensuring the highest quality of education for its students. The development of a new financial plan at the School has been a deliberate, careful process. Executive Vice Chancellor and Provost Scott Waugh and Vice Chancellor Steve Olsen have worked closely with Dean Judy Olian to develop the details of the plan.

Early reports by the *Financial Times* and the higher education press wrongly suggested that a full campus review had been completed. Chancellor Block clarified the process. Dean Olian recently submitted a revision of the School's earlier proposal to him. After Chancellor Block reviews it, he will solicit additional input from the UCLA division of the Academic Senate and academic leaders. He anticipated providing a final proposal and his recommendation to President Yudof in the fall.

Many of the School's programs are already self-sufficient. This plan would move the full-time M.B.A. program to a similar status and reduce State funding for the program to zero. Under the plan, the School would fund all its operating and facility costs, as well as all direct and indirect costs associated with staff. To offset the loss of State support, the School would engage in cost containment, grow private funding, increase the size of its endowment, introduce new revenue streams, and raise tuition. Student fees would increase more modestly than previous rates of increase. The School's fees have already risen close to market levels due to declining State support. At the same time, student aid would increase by approximately 30 percent to help offset tuition increases. California residents enrolled in the full-time M.B.A. program would receive a $5,000 discount in their annual tuition.

The School would benefit from greater flexibility in program investments and faculty salaries, resulting in the ability to remain market-competitive. Chancellor Block expressed his belief that this model is consistent with a new vision for UC expressed by the President and the UC Commission on the Future. This vision includes a call for models of self-sufficiency in situations where these models can be effective. In the case of the UCLA Anderson School of Management, this model provides benefits for the School, for UCLA, for the UC system, and for the economy of the State of California, especially for the Southern California region. Forty percent of the School's entering students come from California, while about 75 percent of its graduates remain to live and work in California. The School is a major importer of talent and a contributor to the region's business leadership pipeline.

Chancellor Block noted that the review process is still under way. He reiterated that he had not yet given his final approval for the plan and that President Yudof had not seen the final plan document. This would occur in the fall.

4. **REMARKS OF THE CHAIR OF THE ACADEMIC SENATE**

Faculty Representative Simmons introduced the current Vice Chair of the Academic Senate, Professor Robert Anderson. Mr. Anderson received his bachelor's degree at the University of Toronto in 1974 and his Ph.D. from Yale University in 1977, both in mathematics. He served as an assistant professor of economics at Princeton University and is currently professor of economics and mathematics and the Coleman Fung Professor of Risk Management at UC Berkeley. Mr. Anderson's current research concerns mathematical economics and the economic foundations of continuous time finance models. He has chaired the Academic Senate's University Committee on Faculty Welfare and its Task Force on Investment and Retirement. Mr. Anderson has extensive knowledge of the University's retirement system and of issues affecting post-employment benefits.

Mr. Simmons stated that it was an honor to serve as the Chair of the Academic Senate. The role of faculty participation and joint governance at UC is unique and one of the institution's great strengths. He discussed what he considered to be two significant dangers for the University. One was a move in the direction of privatization, an example of which was the high fees charged by UC law schools. The second danger was a move from excellence toward mediocrity, fueled by the University's inability to provide competitive compensation to faculty and staff.

Mr. Simmons noted that at almost every meeting, the Board wrestles with the issue of increasing the compensation of some individual or group of senior managers, on the grounds that it is necessary to remain competitive to attract excellence. In the coming months, the Board would be called upon to consider compensation issues affecting all faculty and staff members, those responsible for the University's teaching and research missions. At the present meeting, the Board would consider reducing the compensation of every employee by adopting increased employee contributions to the UC Retirement Plan. Mr. Simmons acknowledged that the Academic Senate has long advocated the necessity of these increased contributions. He stated that the recommendations of the Post-Employment Benefits Task Force could affect current employees. Accrued benefits would not be reduced, but an increased cost would be imposed on employees who choose to remain in the current plan.

Mr. Simmons expressed his hope that the Board would recognize the paramount importance of maintaining the quality of UC faculty. Without a highly qualified faculty, the University would descend into mediocrity. The maintenance of quality depends on competitive remuneration for faculty and staff. Unfortunately, the government and the people of the State of California are distracted by interests other than California's system of higher education. The University is great in part due to its history of shared governance, which has helped guide it through challenging times. The Academic Senate would face the many difficult decisions ahead, focus on the recommendations of the UC Commission on the Future, and work with the administration to provide faculty advice on the strategic direction of the University.

The Committee recessed at 9:40 a.m.

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The Committee reconvened at 10:40 a.m. with Chairman Gould presiding.

Members present: Regents Blum, Cheng, DeFreece, De La Peña, Gould, Hime, Island, Johnson, Kieffer, Lansing, Lozano, Makarechian, Maldonado, Marcus, O'Connell, Pattiz, Reiss, Ruiz, 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, Provost Pitts, Executive Vice Presidents Brostrom and Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary McCarthy

5. **PRESENTATION OF UNIVERSITY OF CALIFORNIA STUDENT ASSOCIATION**

President Yudof introduced the University of California Student Association (UCSA) President, Claudia Magaña, a third-year student from UC Santa Cruz. Ms. Magaña stated that she was speaking both as UCSA President and as a student affected by the issues she would discuss. She noted that she hails from a Latino family who only recently has achieved middle class status; her parents have struggled with great difficulty and no support to be able to afford her UC education. Ms. Magaña expressed concern for fellow students who have had to leave school because of financial issues. She noted that, while students are aware of both the State's and the University's financial difficulties, students are being directly affected by fee increases and lack of necessary resources.

Ms. Magaña stated that student frustration was reflected in the August 2010 UCSA 12th Annual Congress hosted by UC Irvine and attended by a record 450 professional, graduate, and undergraduate students.

Ms. Magaña reported that graduate and professional students are particularly concerned about issues involving funding and housing. Their proposed Bill of Rights would address the treatment of graduate and professional students. UCSA takes great pride in the research and teaching of its graduate students.

Undergraduate economic concerns regarding equitable fee levels and aid distribution are addressed by two UCSA goals: rolling back student fees by securing a new source of revenue and passing a Regental policy that would allow undocumented students who have AB 540 status access to the institutional aid funds to which they contribute.

Ms. Magaña noted that students' costs have increased nearly $7,000 since 2001, and are now almost $28,000 per year including books, housing, and other living expenses. She stated that, while fees have increased, she believes the quality of a UC education has declined. She cited the example of students' difficulty enrolling in needed classes.

Ms. Magaña noted UCSA's years of advocacy for undocumented students. Currently these students are further challenged by an increased climate of xenophobia. Higher fees could make it impossible for undocumented students to benefit from the increased social advancement provided by a UC education.

Ms. Magaña indicated that UCSA supports the California Development, Relief and Education for Alien Minors (DREAM) Act, which would allow undocumented students access to financial aid. UCSA also strongly supports redirection of State funds to support UC and also urges the State to find new sources of income so that budget cuts do not impact the neediest families. She expressed her view that steady fee increases and reduction of support services have affected diversity at UC campuses.

The meeting adjourned at10:45 a.m.

Attest:

Secretary and Chief of Staff