

C

Approved

COMMITTEE ON COMPENSATION
September 17, 2015

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

A. INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2014-15 FOR ARTHUR GUIMARAES AS ASSOCIATE CHIEF INVESTMENT OFFICER, OFFICE OF THE PRESIDENT

Background to Recommendation

The President of the University requests approval of an incentive award of \$170,625 for Arthur Guimaraes, Associate Chief Investment Officer (ACIO), under the Office of the Chief Investment Officer (CIO) Annual Incentive Plan (AIP). Mr. Guimaraes was appointed on November 17, 2014. The incentive award is prorated to reflect his time in the position during the 2014-15 Plan Year and is funded entirely through investment returns, using no State funds.

Assets under management total \$98.2 billion, and for the 2014-15 Plan Year, the CIO's Office added approximately \$1.8 billion (1.8 percent) of value in excess of the benchmark. The proposed award of \$170,625 has been reviewed and approved by the AIP Administrative Oversight Committee (AOC) established by the Regents and consisting of Executive Vice President Brostrom, Executive Vice President Nava, and Vice President Duckett. The calculations have been reviewed by the Office of Ethics, Compliance and Audit Services.

The Office of the CIO AIP is a performance-based incentive plan that places a portion of total compensation at risk for each participant, and pays out only if certain investment and other performance standards are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation for investment professionals, including those at the California State Teachers' Retirement System, the California Public Employees' Retirement System, and other large public pension fund and endowment funds. Awards are based on a rolling three-year assessment against performance benchmarks and a portion is deferred for payout in subsequent years to help retain staff and focus efforts on adding longer-term value. Plan participants are assigned award opportunity levels that serve to motivate individual, group, and total entity performance as part of a competitive total cash compensation package.

Recommendation

The Committee recommends approval of an incentive award of \$170,625 for Arthur Guimaraes as Associate Chief Investment Officer under the Office of the Chief Investment Officer Annual Incentive Plan for the 2014-15 Plan Year. The recommended incentive award is 52.5 percent of his annualized base salary of \$325,000.

Recommended Compensation

Effective Date: upon Regents' approval

Base Salary: \$325,000 (annualized)

AIP Award: \$170,625 (52.5 percent of annualized base salary)

Annual Base Salary Plus Recommended AIP Award: \$495,625

Funding: non-State-funded

Prior Year Data (2013-14 Plan Year)

Base Salary: not applicable

AIP Award: not applicable

Annual Base Salary Plus Recommended AIP Award: not applicable

Funding: not applicable

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Committee vote: Regents Gould, Island, Kieffer, Lozano, Napolitano, Ortiz Oakley, Pattiz, Reiss, Sherman, and Varner voting "aye."

Board vote: Regents Davis, De La Peña, Gorman, Gould, Island, Kieffer, Lozano, Makarechian, Napolitano, Ortiz Oakley, Oved, Pattiz, Pérez, Reiss, Ruiz, Sherman, Varner, and Zettel voting "aye," Regent Atkins abstaining.

B. INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2014-15 FOR MELVIN STANTON AS FORMER ASSOCIATE CHIEF INVESTMENT OFFICER, OFFICE OF THE PRESIDENT

Background to Recommendation

The President of the University requests approval of an incentive award of \$95,716 for Melvin Stanton under the Office of the Chief Investment Officer (CIO) Annual Incentive Plan (AIP). Mr. Stanton was the Associate Chief Investment Officer (ACIO) during a portion of the 2014-15 Plan Year. Mr. Stanton retired as ACIO on July 31, 2014, and consistent with the Plan approved by the Regents, is entitled to a prorated award at the close of the Plan Year in which he retires. This award for the 2014-15 AIP is funded entirely through investment returns, using no State funds.

Assets under management total \$98.2 billion, and for the 2014-15 Plan Year the CIO's Office added approximately \$1.8 billion (1.8 percent) of value in excess of the benchmark established by the Regents. The proposed award of \$95,716 has been reviewed and approved by the AIP Administrative Oversight Committee established by the Regents and consisting of Executive Vice President Brostrom, Executive Vice President Nava, and Vice President Duckett. The calculations have been reviewed by the Office of Ethics, Compliance and Audit Services.

The Office of the CIO AIP is a performance-based incentive plan that places a portion of total compensation at risk for each participant, and pays out only if certain investment and other performance standards are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation for investment professionals, including those at the California State Teachers' Retirement System, the California Public Employees' Retirement System, and other large public pension funds and endowment funds. Awards are based on a rolling three-year assessment against performance benchmarks and a portion is deferred for payout in subsequent years to help retain staff and focus efforts on adding longer-term value. Plan participants are assigned award opportunity levels that serve to motivate individual, group, and total entity performance as part of a competitive total cash compensation package.

Recommendation

The Committee recommends approval of an incentive award of \$95,716 for Melvin Stanton as former Associate Chief Investment Officer under the Office of the Chief Investment Officer Annual Incentive Plan for the 2014-15 Plan Year. The recommended incentive award is 29.4 percent of his annualized base salary of \$325,484.

Recommended Compensation

Effective Date: upon Regents' approval

Base Salary: \$325,484 (annualized)

AIP Award: \$95,716 (29.4 percent of annualized base salary)

Annualized Base Salary Plus Recommended AIP Award: \$421,200

Funding: non-State-funded

Prior Year Data (2013-14 Plan Year)

Base Salary: \$316,004

AIP Award: \$438,792 (139 percent of base salary)

Base Salary Plus AIP Award: \$754,796

Funding Source: non-State-funded

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released

to the public as required in accordance with the standard procedures of the Board of Regents.

Committee vote: Regents Gould, Island, Kieffer, Lozano, Napolitano, Ortiz Oakley, Pattiz, Reiss, Sherman, and Varner voting “aye.”

Board vote: Regents Davis, De La Peña, Gorman, Gould, Island, Kieffer, Lozano, Makarechian, Napolitano, Ortiz Oakley, Oved, Pattiz, Pérez, Reiss, Ruiz, Sherman, Varner, and Zettel voting “aye,” Regent Atkins abstaining.

C. INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2014-15 FOR JAGDEEP SINGH BACHHER AS CHIEF INVESTMENT OFFICER AND VICE PRESIDENT – INVESTMENTS, OFFICE OF THE PRESIDENT

Background to Recommendation

The President of the University requests approval of an incentive award of \$874,838 for Jagdeep Bachher, Chief Investment Officer (CIO) and Vice President – Investments under the Office of the CIO Annual Incentive Plan (AIP) for the 2014-15 Plan Year. This award will be funded entirely through investment returns, using no State funds.

Assets under management total \$98.2 billion, and for the 2014-15 Plan Year the CIO’s Office added approximately \$1.8 billion (1.8 percent) of value in excess of the benchmark. The proposed award of \$874,838 has been approved by the AIP Administrative Oversight Committee (AOC) established by the Regents and consisting of Executive Vice President Brostrom, Executive Vice President Nava, and Vice President Duckett. The calculations have been reviewed by the Office of Ethics, Compliance and Audit Services.

The Office of the CIO AIP is a performance-based incentive plan that places a portion of total compensation at risk for each participant, and pays out only if certain investment and other performance standards are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation for investment professionals, including those at the California State Teachers’ Retirement System, the California Public Employees’ Retirement System, and other large public pension funds and endowment funds. Awards are based on a rolling three-year assessment against performance benchmarks and a portion is deferred for payout in subsequent years to help retain staff and focus efforts on adding longer-term value. Plan participants are assigned award opportunity levels that serve to motivate individual, group, and total entity performance as part of a competitive total cash compensation package.

Recommendation

The Committee recommends approval of an incentive award of \$874,838 for fiscal year 2014-15 under the Office of the Chief Investment Officer Annual Incentive Plan for

Jagdeep Singh Bachher as Chief Investment Officer and Vice President – Investments. The recommended incentive award of \$874,838 represents 142.3 percent of Mr. Bachher's annual base salary of \$615,000.

Recommended Compensation

Effective Date: upon Regents' approval

Base Salary: \$615,000

AIP Award: \$874,838

Base Salary Plus Recommended AIP Award: \$1,489,838

Funding: non-State-funded

Prior Year Data (2013-14 Plan Year)

Base Salary: \$615,000 (annualized)

AIP Award: \$153,750 (prorated amount based on partial-year employment)

Base Salary Plus Recommended AIP Award: \$768,750

Funding: non-State-funded

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Committee vote: Regents Gould, Island, Kieffer, Lozano, Napolitano, Ortiz Oakley, Pattiz, Reiss, Sherman, and Varner voting "aye."

Board vote: Regents Davis, De La Peña, Gorman, Gould, Island, Kieffer, Lozano, Makarechian, Napolitano, Ortiz Oakley, Oved, Pattiz, Pérez, Reiss, Ruiz, Sherman, Varner, and Zettel voting "aye," Regent Atkins abstaining.

D. INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2014-15 FOR JOHN STOBO AS EXECUTIVE VICE PRESIDENT – UC HEALTH, OFFICE OF THE PRESIDENT

Background to Recommendation

The Clinical Enterprise Management Recognition Plan (CEMRP), previously approved by the Regents and funded from clinical revenues using no State funds, is a UC Health system clinical performance-based incentive plan that places a certain amount of pay at risk for each participant, and pays out only if performance against pre-established goals such as quality of care, patient safety, and other objectives such as financial performance are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation at other teaching hospitals with which the University competes for talent. The UC plan drives alignment of the five UC medical centers based on the achievement of systemwide goals, organization-specific objectives, and individual participant objectives.

This proposal requests approval of an annual incentive award of \$174,000 for Dr. John Stobo as Executive Vice President – UC Health. This award for performance during fiscal year 2014-15 represents 30 percent of his base salary, and reflects achievement of all four goals at the maximum level of attainment. Medical center operating revenues fund CEMRP awards; no State funds are used.

The 2014-15 Plan Year was productive for the University's clinical enterprise, which broke new ground in collaborative activity to respond to healthcare reform, performance improvement, and health system development under Dr. Stobo's leadership. This progress has come from the collaboration and commitment of healthcare providers, operational staff, and executive leaders throughout the five UC medical centers and their affiliated clinics.

Consistent with Regents' policy, this award has been reviewed and approved by the CEMRP Administrative Oversight Committee, comprised of the five UC chancellors of campuses with medical centers, Executive Vice President Nava, and Vice President Duckett.

Recommendation

The Committee recommends approval of the Clinical Enterprise Management Recognition Plan 2014-15 Plan Year award of \$174,000 for John Stobo as Executive Vice President – UC Health, Office of the President. The recommended incentive award is 30 percent of his base salary.

Recommended Compensation

Effective Date: Upon approval

Base Salary: \$580,000 (2014-15 salary)

Recommended CEMRP Award: \$174,000 (30 percent of base salary)

Base Salary Plus Recommended CEMRP Award: \$754,000

Funding Source: non-State funded

Prior Year Data (2013-14 plan year)

Base Salary: \$580,000

CEMRP Award: \$116,000 (20 percent of base salary)

Base Salary Plus CEMRP Award: \$696,000

Funding Source: non-State funded

The incentive compensation described shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Committee vote: Regents Gould, Island, Kieffer, Lozano, Napolitano, Ortiz Oakley, Pattiz, Reiss, Sherman, and Varner voting "aye."

Board vote: Regents Davis, De La Peña, Gorman, Gould, Island, Kieffer, Lozano, Makarechian, Napolitano, Ortiz Oakley, Oved, Pattiz, Pérez, Reiss, Ruiz, Sherman, Varner, and Zettel voting “aye,” Regent Atkins abstaining.