The Regents of the University of California

COMMITTEE ON COMPENSATION
November 16, 2006

The Committee on Compensation met on the above date at Covel Commons, Los Angeles campus.

Members present:	Regents Dynes, Lozano, Parsky, Pattiz, Schilling, Varner, and Wachter; Advisory members Brewer and Oakley
In attendance:	Regents Blum, Bustamante, De La Peña, Gould, Island, Johnson, Kozberg, Ledesma, Marcus, Ruiz, and Schreiner, Regents-designate Allen and Bugay, Faculty Representative Brown, Acting Secretary Shaw, Acting General Counsel Blair, Chief Investment Officer Berggren, Provost Hume, Executive Vice President Darling, Vice Presidents Broome, Foley, Gurtner, and Hershman, Chancellors Birgeneau, Bishop, Córdova, Drake, Fox, and Vanderhoef, Acting Chancellors Abrams, Blumenthal, and Park, and Recording Secretary Bryan

The meeting convened at 9:20 a.m. with Committee Vice Chair Lozano presiding.

1. **READING OF NOTICE OF MEETING**

For the record, it was confirmed that notice was given in compliance with the Bylaws and Standing Orders for a Special Meeting of the Committee on Compensation, for this date and time, for the purpose of considering recommended compensation and personnel actions related to audit findings and management reviews.

2. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of September 21, 2006 were approved.

3. **REPORT FROM THE COMMITTEE'S REGENTS ONLY SESSION FOR APPROVAL OF CORRECTIVE ACTION GUIDELINES – AUDIT AND MANAGEMENT REVIEWS; AND RECOMMENDED COMPENSATION AND PERSONNEL ACTIONS RELATED TO AUDIT FINDINGS AND MANAGEMENT REVIEWS**

The Committee forwarded for approval the following item from its Regents Only Session:

A. The Guidelines for Corrective Actions Related to Compensation Practices as shown in Attachment 1.

B. The proposed compensation and personnel actions for employees as shown in Attachment 2, which include corrective actions related to matters identified in audits conducted by PricewaterhouseCoopers, the Bureau of State Audits, and the University Auditor.

Upon motion duly made and seconded, the Committee approved the report and voted to present it to the Board.

4. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF MERIT AND EQUITY INCREASES FOR CERTAIN OFFICERS OF THE UNIVERSITY OFFICERS OF THE REGENTS, AND OTHER SENIOR MANAGERS OF THE UNIVERSITY, MEDICAL CENTERS, AND FOR THE DIRECTORS AND CERTAIN SENIOR MANAGEMENT PERSONNEL AT LAWRENCE BERKELEY NATIONAL LABORATORY AND LAWRENCE LIVERMORE NATIONAL LABORATORY**

The Committee forwarded for approval the following item from its Regents Only Session:

A. That the proposed salary shown on Attachment 3 be approved, effective October 1, 2006, for the Chief Investment Officer, pursuant to Bylaw 21.8(f)(1).

B. That the proposed salary shown on Attachment 3 be approved, effective October 1, 2006, for an employee in an acting capacity in the Office of the General Counsel of The Regents, pursuant to Bylaw 21.8(f)(1).

C. That the proposed salary shown on Attachment 3 be approved, effective October 1, 2006, for an employee in an acting capacity in the Office of the Secretary of The Regents, pursuant to Bylaw 21.8(f)(1).

D. That certain salary rates be approved, as shown in Attachment 3, effective October 1, 2006, for certain Officers of the University and Officers of The Regents, pursuant to Bylaw 12.8(f)(1) and Standing Order 100.3(b), and for other employees with cash compensation above $200,000, as required by Bylaws 12.8(f)(3) and 12.8(f)(4) and Standing Order 101(a)(2).

Upon motion duly made and seconded, the Committee approved the report and voted to present it to the Board.

5. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF REVISED TITLE AND JOB DESCRIPTION FOR THE SECRETARY OF THE REGENTS AND REVISED TITLE AND INTERIM SLOTTING FOR THE VICE PRESIDENT–COMPLIANCE AND AUDIT OFFICER, AND OTHER PERSONNEL ISSUES CONCERNING RESTRUCTURING**

The Committee forwarded for approval the following item from its Regents Only Session:

Revised job descriptions, titles, and individual salary grades for the following positions within the Senior Leadership Compensation Group:

A. Revised Job Description: Secretary and Chief of Staff to The Regents, as shown in Attachment 4.

B. Title Change and Interim Slotting for the Following Existing Position: Senior Vice President–Chief Compliance and Audit Officer, Office of the President: SLCG grade 112 with a salary range of $290,800 minimum, $374,800 midpoint, and $458,700 maximum.

Upon motion duly made and seconded, the Committee approved the report and voted to present it to the Board.

6. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF TOTAL COMPENSATION FOR CHARLES F. ROBINSON AS GENERAL COUNSEL AND VICE PRESIDENT–LEGAL AFFAIRS, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following item from the Regents Only Session of the Committee on Compensation and the Committee on Finance:

That an annual salary of $400,000 be approved for Charles F. Robinson as General Counsel and Vice President–Legal Affairs, Office of the President, 100 percent time, effective January 1, 2007.

Additional compensation and related items include:

- Per policy, relocation of household effects.

- As exception to policy, reimbursement of reasonable costs associated with temporary accommodations not to exceed $25,000 over a period of six months from commencing employment, to assist with the transition of Mr. Robinson and his family from his current location to Oakland.

- Per policy, standard sick leave and vacation accrual.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University policy.
- Standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, Executive Salary Continuation for Disability.
- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, an automobile allowance of $8,916 per annum.
- Per policy, participation in the Mortgage Origination Loan Program (MOP), available to be exercised within a period not to exceed 24 months from date of employment.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

Upon motion duly made and seconded, the Committee approved the report and voted to present it to the Board.

7. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF TOTAL COMPENSATION FOR JUDY K. SAKAKI AS VICE PRESIDENT–STUDENT AFFAIRS, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following item from its Regents Only Session:

That an annual salary of $238,000 be approved for Judy K. Sakaki as Vice President-Student Affairs, Office of the President, 100 percent time, effective January 1, 2007

Additional items of compensation are:

- Per policy, reimbursement of expenses associated with normal relocation including, relocation of household effects, standard temporary housing, standard house hunting trips.

- Per policy, standard sick leave and vacation accrual.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University policy.
- Standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, Executive Salary Continuation for Disability.
- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, an automobile allowance of $8,916 per annum.
- Per policy, participation in the Mortgage Origination Loan Program (MOP), available to be exercised within a period not to exceed 24 months from date of appointment.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

Upon motion duly made and seconded, the Committee approved the report and voted to present it to the Board.

8. **REPORT FROM CLOSED SESSION FOR APPROVAL OF INDIVIDUAL COMPENSATION RECOMMENDATIONS**

The Committee forwarded for approval the following item from its Closed Session:

A. ***Promotional and Merit Increase for Mark A. Speare as Senior Associate Director for Marketing, Patient Affairs, and Human Resources, Los Angeles Campus***

Approval of the following items in connection with the merit and promotional increases for Mark A. Speare as Senior Associate Director for Marketing, Patient Affairs, and Human Resources, Los Angeles campus:

(1) Merit increase of $6,500 (3.53 percent) to bring his base salary from $183,900 to $190,400 (just above the threshold for the SLCG Grade 108, minimum $187,100, midpoint $238,200, maximum $289,300).

(2) Promotional increase of $27,600 (14.5 percent) to bring his base salary from $190,400 to $218,000 (leading the first quartile for SLCG Grade 108 by 2.5 percent, minimum $187,100, midpoint $238,200, maximum $289,300).

(3) Effective October 1, 2006 (upon approval of The Regents).

Additional items of compensation include:

- Per policy, participation in the Clinical Enterprise Management Recognition Plan (CEMRP) for up to 20 percent of base salary, resulting in additional compensation of $43,600.

- Per policy, standard Pension and Health and Welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

B. ***Establishment of Position and Appointment of Jonathan A. Showstack as Assistant Vice Chancellor and Co-Chief Information Officer, San Francisco Campus***

Approval of the following items in connection with the establishment of the position and an appointment salary for Jonathan A. Showstack as Assistant Vice Chancellor and Co-Chief Information Officer, San Francisco campus:

(1) Establishment of new position within the Senior Management Group, Assistant Vice Chancellor and Co-Chief Information Officer.

(2) Approval of slotting of new position, Assistant Vice Chancellor and Co-Chief Information Officer at SLCG Grade 108; range minimum $187,100, midpoint $238,200, maximum $289,300.

(3) Appointment to the position of Assistant Vice Chancellor and Co-Chief Information Officer at a salary of $225,910, 100 percent time.

(4) Effective July 1, 2006.

Additional items of compensation are:

- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.

- Standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, Executive Salary Continuation for Disability.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

C. ***Promotional and Merit Increase and Title Change for Lynda Choi as Senior Portfolio Manager, Office of the President***

Approval of the following items in connection with the merit and promotional increases and the promotional title and job grade change for Lynda Choi as Senior Portfolio Manager, Office of the President:

(1) Merit increase of $6,375 (3.5 percent) to bring her base salary from $181,125 to $187,500 (leading the first quartile by 8.1 percent for the SLCG Grade 107, minimum $167,600, midpoint $212,700, maximum $257,800).

(2) Promotional increase of $19,500 (10.4 percent) to bring her base salary from $187,500 to $207,000 (lagging the midpoint by -2.8 percent for SLCG Grade 107, minimum $167,600, midpoint $212,700, maximum $257,800).

(3) Promotion to Senior Portfolio Manager-Absolute Return at SLCG grade 107, 100 percent time.

(4) Per policy, eligibility to participate in the University of California Office of the Treasurer Annual Incentive Plan with an incentive target of 45 percent up to a maximum of 90 percent of base salary.

(5) Effective October 1, 2006.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

D. ***Establishment of Position and Appointment Salary for Daniel C. Sampson as Assistant Vice President–Financial Controls and Accountability, Office of the President***

Approval of the following items in connection with the establishment of position and appointment salary for Daniel C. Sampson:

(1) Establishment of new position within the Senior Management Group, Assistant Vice President–Financial Controls and Accountability.

(2) Approval of slotting of new position, Assistant Vice President–Financial Controls and Accountability at SLCG Grade 107; range minimum $167,600, midpoint $212,700, maximum $257,800.

(3) Appointment to the position of Assistant Vice President–Financial Controls and Accountability at an annual salary of $205,000, 100 percent time.

(4) Effective November 1, 2006.

(5) Continuation of practice to award up to 10 percent of base salary as a bonus, payable based upon performance against predetermined objectives.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

E. ***Recalculation of Administrative Stipend for Jay Keasling as Division Director–Faculty, Physical Biosciences, Lawrence Berkeley National Laboratory***

Approval of the following items in connection with an Administrative Stipend for Jay Keasling Division Director–Faculty, Physical Biosciences, Lawrence Berkeley National Laboratory:

(1) Approval to apply previously approved administrative stipend of 15 percent to new annualized salary (calculated against July 1, 2006 salary, the stipend is $35,000) to increase his adjusted academic salary of $233,333, for a total annual salary of $268,333.

(2) Effective date of the above revised stipend calculation is July 1, 2006 (upon approval of The Regents).

(3) Approval to apply previously approved administrative stipend of 15 percent to new annualized salary (calculated against October 1, 2006 salary, the stipend is $35,420) to increase his adjusted academic salary of $236,133, for a total annual salary of $271,553.

(4) Effective date of the latest revised stipend calculation is October 1, 2006 (upon approval of The Regents).

(5) Approval of ongoing adjustment of his 15 percent administrative stipend as base salary increases.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.

  The source of funds for payment of this compensation item is DOE funds as provided under the University's contract with the DOE. Separate approval by DOE of this item is not required.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

F. ***Stipend for Sheila D. Dwight as Acting Dean–University Extension, Riverside Campus***

Approval of the following items in connection with the appointment of Sheila D. Dwight as Acting Dean–University Extension, Riverside campus:

(1) Administrative stipend of 15 percent (calculated against current salary, the stipend is $17,600) to increase her base salary of $117,100, for a total annual salary of $134,700.

(2) The stipend amount will be increased as the base salary is increased, so the stipend will equal 15 percent of the base salary.

(3) This appointment is at 100 percent time and is effective November 1, 2006 through October 31, 2007 or until this responsibility is transferred to the new Dean of University Extension, whichever is sooner.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

G. ***Stipend for Joseph Rudnick as Acting Dean–Division of Physical Sciences, College of Letters and Science, Los Angeles Campus***

Approval of the following items in connection with the appointment of Joseph Rudnick as Acting Dean–Division of Physical Sciences, College of Letters and Science, Los Angeles campus:

(1) An administrative stipend of 15 percent ($26,700) to increase his adjusted academic salary of $178,000, for a total annual salary of $204,700. His adjusted academic salary of $178,000 is derived from a current adjusted academic salary of $139,300 and 2.5 summer ninths of $38,700. His adjusted academic salary currently inclusive of 3 summer ninths as a faculty member. That compensation will be reduced to 2.5 summer ninths when the academic administrator position is assumed. The current stipend as Chair will be discontinued.

(2) The stipend amount will be increased as the base salary is increased, so the stipend will equal 15 percent of the base salary.

(3) This appointment is at 100 percent time is effective October 1, 2006 through September 30, 2007, or until this responsibility is transferred to the new Dean of Physical Sciences, whichever is sooner.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.

- Per policy, eligible for Sabbatical Credits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

H. ***Stipend for Harold G. Levine as Associate Provost for Education Initiatives, Office of the President***

Approval of the following items in connection with the additional work being done by Harold G. Levine as Associate Provost for Education Initiatives, Office of the President:

(1) Administrative stipend of 15 percent (calculated against current salary, the stipend is $26,205) to increase his base salary of $174,700, for a total annual salary of $201,205.

(2) The stipend amount will be increased as the base salary is increased, so the stipend will equal 15 percent of the base salary.

(3) Effective September 1, 2006 (upon approval of The Regents) through August 31, 2007 or until the appointment of a permanent Associate Provost, whichever occurs first.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, Executive Salary Continuation for Disability.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

I. ***Stipend Extension for Interim Vice Provost Joyce Justus for Additional Management Responsibilities in the Department of Student Affairs, Office of the President***

Approval of the following items in connection with the stipend extension for Joyce Justus for additional management responsibilities in the Department of Student Affairs, Office of the President:

(1) Administrative stipend of 15 percent (calculated against current salary, the stipend is $25,125) in addition to her base salary of $159,100, for a total annual salary of $192,625.

(2) Effective September 1, 2006 through January 31, 2007 to facilitate the transition of responsibilities to the permanent Vice President–Student Affairs.

(3) Standard Pension and Health and Welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

J. ***Title Change from Associate Vice Chancellor–Academic Affairs to Vice Provost–Academic Affairs for Sally J. Marshall, San Francisco Campus***

That a change in title from Associate Vice Chancellor–Academic Affairs to Vice Provost–Academic Affairs be approved for Sally J. Marshall, San Francisco campus. There is no change in compensation.

Current compensation includes:

- Base salary of $210,100.
- Per policy, Health Sciences Compensation of $35,000.
- Per policy, participation in the Staff Recognition Award Program.

- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.

- Per policy, standard Pension and Health and Welfare benefits and Standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

K. ***Summer Salary for No-Hee Park as Dean–School of Dentistry, Los Angeles Campus***

Approval of the following item in connection with the one-time additional compensation payment of No-Hee Park as Dean of Dentistry, Los Angeles campus:

(1) As an exception to policy, a one-time additional compensation payment of $15,291.67, for total annual compensation of $358,791.67.

(2) This additional compensation is for the month of August 2006 and will be paid from the National Institute of Health's (NIH) grant entitled UCLA Fundamental Clinical Research Training Grant Research in oral cancer, microbiology and immunology, and bone biology.

- Per policy, Mr. Park will forfeit one month of his accrued vacation.

The summer salary component of compensation described above shall constitute the University's total commitment under this policy until modified by The Regents and shall supersede all previous oral or written commitments.

L. ***Summer Salary for Paul W. Drake as Dean–Division of Social Sciences, San Diego Campus***

Approval of the following item in connection with the one-time additional compensation payment of Paul W. Drake as Dean–Division of Social Sciences, San Diego campus:

(1) For a 1/12th one-time additional compensation payment of $15,767, for total annual compensation of $204,967.

(2) This additional compensation is for the month of August 2006 and will be paid from Mr. Drake's endowed chair funds for the period that Mr. Drake

worked on a book on the history of democracy in Latin America, tentatively entitled Between Tyranny and Anarchy.

- Per policy, Mr. Drake will forfeit one month of his accrued vacation.

The summer salary component of compensation described above shall constitute the University's total commitment under this policy until modified by The Regents and shall supersede all previous oral or written commitments.

M. ***Summer Salary for Frieder Seible as Dean–Jacobs School of Engineering, San Diego Campus***

Approval of the following item in connection with the one-time additional compensation payment for Frieder Seible as Dean–Jacobs School of Engineering, San Diego campus:

(1) For a 1/12th one-time additional compensation payment of $19,650, for total annual compensation of $255,450.

(2) This additional compensation is for the month of September 2006 and will be paid from grant funds for the period that Mr. Seible conducted research as Principal Investigator of the Explosive Loading Laboratory Testing Program at UCSD.

- Per policy, Mr. Seible will forfeit one month of his accrued vacation.

The summer salary component of compensation described above shall constitute the University's total commitment under this policy until modified by The Regents and shall supersede all previous oral or written commitments.

N. ***Summer Salary for Mark H. Thiemens as Dean–Division Of Physical Science, San Diego Campus***

Approval of a 1/12th one-time additional compensation payment for Mark H. Thiemens as Dean–Division of Physical Science, San Diego campus:

(1) For a 1/12th one-time additional compensation payment of $18,742, for total annual compensation of $243,642.

(2) This additional compensation is for the month of August 2006 and will be paid from research grant funds for the period that Mr. Thiemens engaged in isotope research associated with the identification of long-range aerosol transport and a project to examine the cause of large rain forest extinctions in Ecuador that has been funded for approximately five years.

- Per policy Mr. Thiemens will forfeit one month of his accrued vacation.

The summer salary component of compensation described above shall constitute the University's total commitment under this policy until modified by The Regents and shall supersede all previous oral or written commitments.

O. ***Summer Salary for Gabriele Wienhausen as Provost–Sixth College, San Diego Campus***

Approval of a 1/12th one-time additional compensation payment for Gabriele Wienhausen as Provost–Sixth College, San Diego campus:

(1) For a 1/12th one-time additional compensation payment of $10,275, for total annual compensation of $133,575.

(2) This additional compensation is for the month of August and will be paid from instructional grant funds for the period that Ms. Wienhausen who is a Co-Principal Investigator managed and oversaw the four-week residential California State Summer School for Mathematics and Science Program.

- Per policy, Ms. Wienhausen will forfeit one month of her accrued vacation.

The summer salary component of compensation described above shall constitute the University's total commitment under this policy until modified by The Regents and shall supersede all previous oral or written commitments.

P. ***Summer Salary for Matthew Tirrell as Dean–School of Engineering, Santa Barbara Campus***

Approval of a 1/12th one-time additional compensation payment for Matthew Tirrell as Dean–School of Engineering, Santa Barbara campus:

(1) For a 1/12th one-time additional compensation payment of $20,450, for total annual compensation of $265,850.

(2) This additional compensation is for the month of August 2006 and will be paid from unrestricted gift funds for the period that Mr. Tirrell worked on a project on polyelectrolytes.

- Per policy, Mr. Tirrell will forfeit one month of his accrued vacation.

The summer salary component of compensation described above shall constitute the University's total commitment under this policy until modified by The Regents and shall supersede all previous oral or written commitments.

Q. ***Contract Compensation for Anne (Sandy) Barbour, Athletic Director, Berkeley Campus***

Approval of revised compensation terms for Athletic Director, Anne "Sandy" Barbour, Berkeley campus, 100 percent time. Pending approval by The Regents of these compensation terms, Ms. Barbour's revised contract will be effective retroactive to October 1, 2006. The contract will also be extended for an additional two years through September 30, 2011.

(1) This contract increases her base salary annually as follows:

10/01/05 - 09/30/06	$238,500	Current base salary
10/01/06 - 09/30/07	$252,850	6.0 percent increase
10/01/07 - 09/30/08	$262,950	4.0 percent increase
10/01/08 - 09/30/09	$273,450	4.0 percent increase
10/01/09 - 09/30/10	$284,400	4.0 percent increase
10/01/10 - 09/30/11	$295,800	4.0 percent increase

(2) Talent Fee:

10/01/06 - 09/30/07	$52,650
10/01/07 - 09/30/08	$69,200
10/01/08 - 09/30/09	$85,750
10/01/09 - 09/30/10	$85,750
10/01/10 - 09/30/11	$85,750

(3) Additionally, this contract provides the following opportunity to earn supplemental compensation during the first year (10/01/2006-09/30/2007):

<u>Early achievable non-base building program development incentives</u>

10.0%	$25,285	Academic Achievement: All Teams meet Academic Performance Rate threshold
5.0%	$12,643	Adherence to Financial Plan Progress Requirements
5.0%	$12,643	Integration with Academic Programs

<u>Long-term non-base building athletic success incentive payments</u>

4.0%	$10,114	Men's Basketball-Tournament Participation
5.0%	$12,643	Men's Basketball-Final Four Participation
7.5%	$18,964	Men's Basketball-National Championship
4.0%	$10,114	Women's Basketball-Tournament Participation
5.0%	$12,643	Women's Basketball-Final Four Participation
7.5%	$18,964	Women's Basketball-National Championship
4.0%	$10,114	Football-Bowl Participation
5.0%	$12,643	Football-BCS Bowl
7.5%	$18,964	Football-National Championship
2.5%	$6,321	Tennis-Sears Cup Top 20
4.0%	$10,114	Tennis-Sears Cup Top 10
5.0%	$12,643	Tennis-Sears Cup Top 5
7.5%	$18,964	Tennis-Sears Cup #1

The Athletic Director is precluded from receiving more than one of the above bonuses for each sport. These awards are based on the percentages shown; therefore, as base salary increases each year so does the potential dollar payout.

(4) Television Participation:
Annual $25,000 non-base building payment for the life of the contract.

(5) One-time bonus payment of $15,600 as an incentive to accept the contract extension terms.

(6) The total potential compensation package for each of the years covered by the contract is up to:

10/01/06 - 09/30/07	$472,525	(Excludes pre-approved relocation and housing of $33,125)
10/01/07 - 09/30/08	$488,625	(Excludes pre-approved relocation and housing of $16,563)
10/01/08 - 09/30/09	$520,925	
10/01/09 - 09/30/10	$537,350	
10/01/10 - 09/30/11	$554,450	

The probability of attaining this maximum payout by achieving all goals is not high.

This contract does not contain a penalty clause for early termination. If Ms. Barbour terminates before the expiration of the agreement, she simply loses the benefits of the agreement, and all University obligations cease.

If the University terminates the contract early without cause, the campus will owe the balance of the base salary, talent fees, and housing support laid out in the contract and paid out in yearly installments. However, these amounts may be reduced or mitigated by any amounts received or to be received at a later date by Ms. Barbour during the term she would have been a University employee.

The compensation provided under this contract is funded exclusively from athletic department revenues and private fundraising and no State or general campus funds are used in this arrangement.

Additional elements of compensation include:

- Consistent with practice, a courtesy vehicle.
- Per contract, 20 days of vacation per each twelve-month period of the contract.
- Per contract and policy, twelve days of sick leave during each twelve-month period of the contract.
- Balance of relocation allowance and housing allowance approved at time of appointment. Balance of relocation is $17,888 and balance of housing allowance is $31,800.
- Per policy, eligible for standard Pension, Health & Welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments.

R. ***Salary Adjustment for Dennis Levi as Dean–School of Optometry, Berkeley Campus***

Approval of the following items in connection with the salary adjustment and merit increase for Dennis Levi as Dean–School of Optometry, Berkeley campus:

(1) Salary adjustment of $16,700 (8.7 percent) added to his base salary of $192,500 for a total annual salary of $209,200 (just below the midpoint

for the SLCG Grade 107, minimum $167,600, midpoint $212,700, maximum $257,800) to maintain the differential between Mr. Levi's academic salary and his Dean's salary. He is a Professor, Above-Scale and received a merit increase in his fiscal year academic salary to $184,900 effective July 1, 2006.

(2) Effective date of September 1, 2006 for salary adjustment (upon approval of The Regents).

(3) Merit increase of $5,200 (2.5 percent) to bring his base salary from $209,200 to $214,400 (just above the midpoint of the SLCG Grade 107 by 0.8 percent, minimum $167,600, midpoint $212,700, maximum $257,800).

(4) Effective date of October 1, 2006 for merit increase.

Additional compensation and related items include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Per policy, accrual of sabbatical credits as a member of the faculty.

- As an exception to policy, up to one full month of additional research compensation to fulfill responsibilities to his grant funded by the National Institutes of Health.

- As an exception to policy, a Faculty Recruitment Allowance of $150,000 ($9,400 paid annually and at year seven, payment of a lump sum of $75,000) was provided to Mr. Levi upon his hire in 2001. This allowance was approved by then-Provost King and disclosed to The Regents in July 2001.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

S. ***Salary Adjustment for Paul W. Ludden as Dean–College of Natural Resources, Berkeley Campus***

Approval of the following items in connection with the salary adjustment and merit increase for Paul W. Ludden as Dean–College of Natural Resources, Berkeley campus:

(1) A salary adjustment of $22,000 (10.8 percent) added to his base salary of $203,000 for a total annual salary of $225,000 to maintain the differential between Mr. Ludden's faculty salary and his Dean's salary. He is also a Professor and Agronomist and received a faculty merit increase in his academic year salary of $162,300 effective July 1, 2006, resulting in an adjusted faculty salary of $207,400.

(2) Effective date of September 1, 2006 for salary adjustment (upon approval of The Regents).

(3) Merit increase of $5,600 (2.5 percent) to bring his base salary from $225,000 to $230,600 (above the midpoint for the SLCG Grade 107, minimum $167,600, midpoint $212,700, maximum $257,800).

(4) Effective date of October 1, 2006 for merit.

Additional compensation and related items include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Per policy, accrual of sabbatical credits as a member of the faculty.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

T. ***Salary Adjustment for P. David Pearson as Dean–Graduate School of Education, Berkeley Campus***

Approval of the following items in connection with the salary adjustment and merit increase for P. David Pearson as Dean–Graduate School of Education, Berkeley campus:

(1) A salary adjustment of $27,300 (13.8 percent) added to his base salary of $197,700 for a total annual salary of $225,000 to maintain the differential

between Mr. Pearson's faculty salary and his Dean's salary. He is a Professor, Above-Scale and received a merit increase in his academic year salary of $166,700 effective July 1, 2005 which results in an adjusted faculty salary of $213,000.

(2) Effective date of September 1, 2006 for salary adjustment (upon approval of The Regents).

(3) Merit increase of $5,600 (2.5 percent) to bring his base salary from $225,000 to $230,600 (above the midpoint for the SLCG Grade 107, minimum $167,600, midpoint $212,700, maximum $257,800).

(4) Effective date of October 1, 2006 for merit.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Per policy, accrual of sabbatical credits as a member of faculty.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

U. ***Salary Adjustment for Peter Woon as Controller–Financial Administration, Irvine Campus Medical Center, Irvine Campus***

Approval of the following items in connection with the salary adjustment of Peter Woon as Controller–Financial Administration, Irvine Campus Medical Center:

(1) A salary adjustment of $17,500 (10.1 percent) added to his base salary of $173,400 for a total annual salary of $190,900.

(2) An effective date of September 1, 2006.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.

- Per policy, UC Irvine Campus Medical Center Director's Incentive Plan.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

Upon motion duly made and seconded, the Committee approved the report and voted to present it to the Board.

9. **REPORT FROM CLOSED SESSION FOR APPROVAL OF COMPENSATION FOR PARTICIPANTS OF CAMPUS BONUS AND/OR INCENTIVE PLANS**

The Committee forwarded for approval the following compensation item from its Closed Session:

That award amounts be approved for certain members of the Senior Leadership Compensation Group, as shown below.

Name	Loc.	Title	Proposed Incentive Payment
Rhea Turteltaub	LA	Interim Vice Chancellor--External Affairs and Associate Vice Chancellor--Development	$ 7,500
Judith Rothman	LA	Assoc Vice Chancellor--Finance & Administration and Sr Assoc Dean--School of Medicine	$18,800
James Asp	SF	Associate Vice Chancellor-University Development and Alumni Relations	$21,500
Irene Brezman	SF	Director-IT Application	$23,167
Marcia Canning	SF	Chief Campus Counsel	$20,000
Jose Claudio	SF	Director-Infrastructure Services	$23,167
Julie Cox	SF	Director-IT Customer Service	$23,224
Barbara French	SF	Associate Vice Chancellor-University Relations	$21,000
Martha Hooven	SF	Associate Chair for Administration (SOM)	$28,119
Randy Lopez	SF	Associate Vice Chancellor-Administration/Co-CIO Office of Academic & Administrative Information Systems	$ 5,297
Sally Marshall	SF	Associate Vice Chancellor-Academic Affairs	$ 1,890
Russell Peckenpaugh	SF	Director-IT	$23,197
Eric Vermillion	SF	Associate Vice Chancellor-Finance	$ 5,797
Eugene Washington	SF	Executive Vice Chancellor	$26,750
Steve Wiesenthal	SF	Associate Vice Chancellor-Capital Projects and Facilities Management	$ 6,258
Lori Yamauchi	SF	Assistant Vice Chancellor-Campus Planning	$19,040

The compensation described above shall constitute the University's total 2005-06 incentive commitment for these individuals until modified by The Regents and shall supersede all previous oral or written commitment.

Upon motion duly made and seconded, the Committee approved the report and voted to present it to the Board.

10. AMENDMENT OF THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN BUYBACK RULES FOR ELIGIBLE LAWRENCE LIVERMORE NATIONAL LABORATORY EMPLOYEES

The President recommended the approval of an amendment to UCRP buyback rules, effective February 1, 2007, to:

A. Permit eligible LLNL employees who are within the three year buyback eligibility window to establish or re-establish UCRP service credit with an after-tax lump sum payment prior to termination from UC employment.

B. Permit eligible LLNL employees who are currently making monthly payroll deductions to establish/re-establish UCRP service credit to complete their payments with an after-tax lump sum payment within 60 days of termination from UC employment, regardless of how long their payroll deductions have been in effect.

C. Delegate implementation to the Plan Administrator.

Associate Vice President Boyette recalled that current UCRP provisions allow Active Members to establish UCRP service credit for an eligible leave or to re-establish service credit for a period of prior UC employment, provided they do so within three years after returning to UC employment as an Active Member following the leave or break in service. Buyback payments are generally taken in equal installments through pretax payroll deductions. The minimum repayment period is one year, or the length of the leave if longer than one year. Members who leave UC after making monthly buyback payments for at least one year may complete the buyback with an after-tax lump sum payment within 60 days of separation. For approved leave periods before November 1, 1990, a member pays the sum of employee and employer contributions plus interest; for approved leaves November 1, 1990 and later, a member pays the applicable Normal Cost plus interest.

In January 2006, The Regents approved an amendment to UCRP buyback provisions for eligible LANL employees. While the buyback eligibility rules did not change, the amendment expanded buyback payment provisions to allow LANL employees to pay for an eligible buyback with an after-tax lump sum payment in lieu of monthly pretax payroll deductions. The amendment also allowed LANL employees with monthly buyback payroll deductions that had been in effect for less than one year to complete their buyback with an after-tax lump sum payment within 60 days following their separation. Without the approved amendment, LANL employees may have been disadvantaged by LANL's transition to a new management contractor, as they may not have had sufficient time to initiate and/or complete payments for an eligible buyback through monthly UC payroll deductions. Approximately 101 eligible LANL employees submitted a lump sum payment – 21 to enable vesting in UCRP prior to the management transition and 80 to complete a buyback in progress.

Without amending UCRP, LLNL employees who may have otherwise been able to establish or re-establish UCRP service credit for an eligible leave or prior period of employment may be disadvantaged by LLNL's transition to a new management contractor. This proposed amendment to UCRP would treat eligible LLNL employees in the same manner as was done for LANL employees.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

11. **AMENDMENT OF BYLAWS AND STANDING ORDERS REGARDING SECRETARY OF THE REGENTS AND VICE PRESIDENT–CHIEF COMPLIANCE AND AUDIT OFFICER**

The President recommended that:

A. Service of notice be waived.

B. Bylaws and Standing Orders regarding the Secretary of The Regents and the Vice President–Chief Compliance and Audit Officer be amended as shown below.

Additions shown by underscore; deletions shown by strikeout

BYLAW 2.

CORPORATE SEAL

* * *

2.2 Use.

The corporate seal shall be used only in connection with the transaction of business of The Regents of the University of California and of the University. The seal may be affixed by the Secretary <u>and Chief of Staff</u> on any document signed on behalf of the Corporation. Permission may be granted by the Secretary <u>and Chief of Staff</u> for the use of the seal in the decoration of any University building or in other special circumstances.

BYLAW 14.

MEETINGS OF THE BOARD AND COMMITTEES

14.1 Regular Meetings of the Board.

A regular meeting of the Board shall be held once each month, unless dispensed with by the Board, at such time and place as the Board by resolution from time to time may direct.

At least ten days in advance of regular meetings, the Secretary <u>and Chief of Staff</u> shall give notice of such meetings to any person who has requested such notice in writing.

14.2 Special Meetings of the Board.

Special meetings of the Board shall be called by the Secretary <u>and Chief of Staff</u> at the direction of the President or Chairman of the Board, or any four members thereof. Such meetings may be called at any time, and notice of the time, place, and agenda thereof shall be given by telephone, or by letter or telegram addressed to each Regent at the last known place of business or residence in time to reach the Regent at least 72 hours before the time appointed for such meeting. In addition, public notice shall be given for such meetings. Such notice shall be given by notifying any newspaper of general circulation or any television or radio station and shall be delivered personally or by mail so that the notice may be published or broadcast at least 72 hours before the time of such meeting. No business other than that included in the agenda of the meeting shall be considered. A record of the service of notice required to be given as aforesaid shall be entered upon the minutes of the Board, and the said minutes when read and approved at the subsequent meeting of the Board shall be conclusive of the fact that notice was given as required.

14.3 Meetings of Committees and Subcommittees.

Meetings of Committees and Subcommittees shall be called by the Secretary <u>and Chief of Staff</u> at the direction of the Chairman of the Board, the Chairman of the particular Committee or Subcommittee concerned, the President of the University, or any three members of the Committee or Subcommittee of which a meeting is to be called.

Meetings of Committees and Subcommittees held in conjunction with meetings of the Board shall be regarded as regular meetings unless specifically called as special or emergency meetings.

Notice and agenda requirements are as set forth in Bylaws 14.1 and 14.5 for regular meetings, Bylaw 14.2 for special meetings, and Bylaw 14.4 for emergency meetings.

14.4 Emergency Meetings.

Emergency meetings of the Board or Committees shall be called by the Secretary <u>and Chief of Staff</u> at the direction of the President or Chairman of the Board, or the President of the University, at any time, and notice of the time, place, and purpose thereof shall be given by letter or telegram addressed to each Regent at the last known place of business or residence. Emergency meetings may be held only in the event of or to consider: (a) work stoppage or other activity which severely impairs public health, safety, or both; (b) crippling disaster which severely impairs public health, safety, or both; (c) administrative disciplinary matters, including, but not limited to, consideration of proposed stipulations, and pending litigation, which require immediate attention.

Newspapers of general circulation and radio or television stations which have requested notice of Board or Committee meetings shall be notified by the President or Chairman of the Board, or the President of the University or a designee thereof, one hour prior to the emergency meeting by telephone. In the event that telephone services are not functioning, notice requirements shall be deemed waived, and the President or Chairman of the Board, or the President of the University, or a designee thereof, shall, as soon after the meeting as possible, notify such newspapers, radio stations or television stations of the fact of the holding of the emergency meeting, the purpose of the meeting, and any actions at the meeting which are subject to announcement.

As soon after the meeting as possible, the Secretary <u>and Chief of Staff</u> shall post for a minimum of ten days in a public place a list of persons notified or attempted to be notified, and as to actions which are subject to announcement, the minutes of the emergency meeting, including roll call votes and actions taken.

14.5 Agenda and Agenda Materials for Regular Meetings of the Board, Committees, and Subcommittees.

At least ten days prior to each regular meeting of the Board, Committees and Subcommittees, the Secretary <u>and Chief of Staff</u> shall mail to each member of the Board an agenda setting forth all business to be transacted or discussed at the meeting. No business other than that included in the agenda for the meeting shall be considered. At regular meetings of the Board there may be considered any item on the agenda of a regular Committee or Subcommittee meeting held in conjunction with the meeting of the Board.

Seven days prior to each regular meeting of the Board, Committees and Subcommittees, or as soon thereafter as practicable, the Secretary and Chief of Staff shall mail to each member of the Board materials relating to items on the session agenda. The materials shall set forth the name of any officer of the Corporation or of the University whose appointment or dismissal is to be requested at the meeting.

* * *

14.7 Release of Information--Closed Sessions.

* * *

(c) Release of actions shall be determined by the President of the University and by the Secretary and Chief of Staff, the ~~Treasurer~~ Chief Investment Officer, and the General Counsel of The Regents in their respective areas of responsibility and in accordance with procedures established by the Board.

(d) Information from closed sessions other than final actions may be released only as follows:

(1) The President of the University, the Secretary and Chief of Staff, the ~~Treasurer~~ Chief Investment Officer, and the General Counsel of The Regents in their respective areas of responsibility may release from closed session background information as required for the conduct of ordinary business of the University.

* * *

BYLAW 16.

BOARD AND COMMITTEE PROCEDURES

* * *

16.9 Communications.

Communications for presentation to the Board or a Committee thereof shall be in writing and shall be presented by the Secretary <u>and Chief of Staff</u> at the next regular meeting following their receipt by the Secretary <u>and Chief of Staff</u>, provided that communications from the Academic Senate or members of the faculty or student body or employees of the University shall be presented only through the President of the University. This Bylaw does not apply to communications presented by members of the University of California Student Association Board of Directors or by members of the Academic Council of the Academic Senate pursuant to Bylaw 16.10.

16.10 Appearances Before the Board and Committees.

(a) Individuals or organizations shall have an opportunity to address the Board or a Committee directly on each open session agenda item before or during discussion or consideration of the item in accordance with such procedures as may be adopted by The Regents by resolution, provided that the Chairman of the Board or the Committee Chairman, as appropriate, may reasonably limit the total amount of time allocated for public testimony on particular issues and for each speaker and may limit testimony either to assure that it is germane to the item or if it does not involve a specific matter which has been delegated to an officer and which is more appropriately raised with that officer.

Individuals seeking to address the Board or a Committee shall communicate their intention to the Secretary <u>and Chief of Staff</u> no later than the beginning of the morning or afternoon sessions of The Regents on the day the individual wishes to speak.

* * *

16.11 Reconsideration, Repeal, or Rescission.

No motion for repeal or rescission of any action taken by the Board shall be voted upon unless notice of intention to make such motion shall have been given at the previous meeting or by mail by the Secretary <u>and Chief of Staff</u>

to each member of the Board and the subject matter of the motion has been placed on the agenda in accordance with Bylaw 14.5.

Any member may move for the reconsideration of an action taken by the Board. Such motion must be made and voted upon at the same meeting at which said action is taken.

16.12 Minutes of Board and Committee Proceedings.

(a) Minutes of the proceedings of the Board shall be kept by the Secretary <u>and Chief of Staff</u> and, as soon as practical after a meeting, a copy of said minutes shall be mailed to each member.

(b) Minutes of the proceedings of each committee shall be kept by the Secretary <u>and Chief of Staff</u> and, as soon as practical after a meeting, a copy of said minutes shall be mailed or delivered to each member of said Committee.

* * *

BYLAW 20.

OFFICERS OF THE CORPORATION

20.1 Designation and Qualifications.

The Officers of the Corporation shall be President of the Board (who shall be the Governor of the State); Chairman; Vice Chairman; the following who shall collectively be known as the Principal Officers of The Regents: Secretary <u>and Chief of Staff</u>, Chief Investment Officer and Vice President for Investments (who also serves as an Officer of the University), General Counsel and Vice President for Legal Affairs (who also serves as an Officer of the University), <u>Senior</u> Vice President–Chief Compliance and Audit Officer (who also serves as an Officer of the University); and such deputies, associates and assistants of the foregoing Principal Officers as they may from time to time designate in their respective areas of responsibility as Officers of the Corporation. The President, Chairman, and Vice Chairman shall be members of the Board, but membership on the Board shall not be a necessary qualification for other Officers. Any Officer, other than the President, Chairman, and Vice Chairman, may hold as many offices as the Board shall determine.

* * *

21.3 Secretary<u> and Chief of Staff</u>.

The Secretary and Chief of Staff shall serve as the primary liaison between The Regents of the University of California and University administration, working directly with the Board Chairman and the President of the University on a regular basis in the execution of Board related projects, initiatives, and mandates, including Board meetings and their agendas, providing substantive research and analysis, planning, preparation and support and review. The Secretary and Chief of Staff shall respond to communications and events on behalf of the Board and its members, serving as an ambassador of The Regents.

In addition:

(a) The Secretary and Chief of Staff shall administer the annual operating budget for the Board of Regents, ensuring that expenditures are approved according to University and Regental policies and guidelines;

(b) The Secretary and Chief of Staff shall inform and advise both Regents and University administrators on Regental policies and procedures, and shall ensure that the activities of the University comply with all pertinent policies and procedures and conform to sound governance practices by engaging in regular consultations with the General Counsel of The Regents.

(c) The Secretary and Chief of Staff shall provide governance support to the Board by providing staff support to designated committees, and designing and facilitating the orientation of new Regents.

(d) The Secretary and Chief of Staff shall participate in administrative working groups that include Regents as members as requested or required to provide appropriate support to The Regents.

~~(a)~~ (e) The Secretary and Chief of Staff shall give legal notice of all meetings of the Board of Regents and of all meetings of Committees, shall record and keep the minutes of the proceedings of the Board and of the proceedings of all Committees; shall track and coordinate all information, reports, and follow-up issues emanating from such meetings; and shall ~~assist the President of the University in providing~~ provide a full range of general administrative support to the Board ~~and its Committees~~.

~~(b)~~(f) The Secretary and Chief of Staff shall be the custodian of all official records of the Corporation, including the minutes of all meetings and papers of the Corporation.

~~(c)~~(g) The Secretary and Chief of Staff shall be custodian of the corporate seal of the Corporation and certain other official Regental and other vital corporate records; and shall affix ~~it~~ the seal to documents executed on behalf of the Corporation and to certifications as required.

~~(d)~~(h) The Secretary and Chief of Staff may certify to any action of the Board or its Committees, to the identity, appointment, and authority of Officers of the Corporation or of the University, and to the provisions of the Corporation's Bylaws and Standing Orders and to excerpts from the minutes of The Regents.

~~(e)~~(i) The Secretary and Chief of Staff shall execute in the name of The Regents, or attest to, a broad range of ~~all~~ documents necessary for the operation of the University, including, but not limited to, those documents which have been executed by the President, Chairman or Vice Chairman of the Board, or the Chairman or Vice Chairman of the Committee on Finance in accordance with the Corporation's Bylaw 21.1.

~~(f)~~(j) The Secretary and Chief of Staff, acting alone, is authorized, in the name of the Corporation, to enter into and execute the following:

(1) Except as otherwise provided in the Bylaws or Standing Orders, all documents involving $1 million or less which are necessary to implement programs or policies approved by the Board or by a Committee thereof which has been empowered to act.

(2) Documents involving real estate transactions which are necessary to implement programs or policies approved by the President of the University or the ~~Treasurer~~ Chief Investment Officer of the Corporation in their respective areas of authority and responsibility, provided, however, that the following shall be subject to approval by the Board or by a Committee thereof empowered to act (see also Bylaw 21.4(~~u~~q) and Standing Order 100.4(cc)):

(aa) Documents affecting a conveyance of title to real property other than those subject to approval by the ~~Treasurer~~ Chief Investment Officer in accordance with Bylaw 21.4(~~s~~o) and 21.4(~~t~~p) and those subject to approval by the President in accordance with Standing Order 100.4 (gg), 100.4(hh), and 100.4(ll).

(bb) Leases of mineral rights, including gas, oil, and other hydrocarbons, or geothermal resources, associated with real property held or acquired for investment purposes which involve a land rent in excess of $500,000 per year during the primary lease term.

(cc) Leases, licenses, easements, and rights-of-way with respect to real property in excess of the authority granted to the President and the ~~Treasurer~~ <u>Chief Investment Officer</u> in their respective areas of authority.

(dd) Agreements by which the University assumes liability for conduct of persons other than University officers, agents, employees, students, invitees, and guests. This restriction does not apply to agreements under which the University assumes responsibility for the condition of property in its custody.

(3) Certificates of acceptance of title to interests in real property acquired in accordance with authority granted by the Board or acquired through trustees' sales or other proceedings arising from defaults in secured obligations held by the Corporation as investments.

(4) Proofs of loss with respect to claims against insurance companies and receipts and releases for payments received under insurance policies, proxies, receipts and acknowledgments, and notices and declarations, as may be appropriate or necessary when a signature of a Corporate officer is required.

(5) All surety bonds required in connection with the business of the Corporation or the University, provided that surety bonds to be required of officers and employees shall be consistent with requirements established by the Committee on Finance pursuant to bylaw 12.3(h).

* * *

21.4 Chief Investment Officer.

* * *

14. The Secretary <u>and Chief of Staff</u>, Associate Secretary, or Assistant Secretary of the Corporation shall annex to any instrument of assignment and transfer executed pursuant to and in accordance with the provisions of this section a certificate which shall set forth the statement that such provisions are in full force and effect and, furthermore, which shall set forth the names of the Chief Investment Officer, Deputy Chief Investment Officer, Associate Chief Investment Officer, and Assistant Chief Investment Officer of the Corporation. All persons to whom such instrument with such annexed certificate shall thereafter come, shall be entitled, without further inquiry or investigation and regardless of the date of such certificate, to assume and to act in reliance upon the assumption that the shares of stock or other securities named in such instrument were duly and properly transferred, endorsed, sold, assigned, set over, and delivered by the Corporation, and that with respect to such securities the provisions of Bylaw 21.4(k) and the authority of the Chief Investment Officer, Associate Chief Investment Officer, and Assistant Chief Investment Officer with respect thereto continue in full force and effect.

21.5 <u>Senior</u> Vice President–Chief Compliance and Audit Officer.

The <u>Senior</u> Vice President–Chief Compliance and Audit Officer shall develop and maintain the University's Corporate Compliance Program, functioning as an independent and objective office that reviews and evaluates compliance issues and concerns within the University. This position will monitor and report as to the Board itself, the administration, faculty, and employees on compliance with rules and regulations of regulatory agencies, University policies and procedures, and the University's Statement of Ethical Values and Standards of Ethical Conduct. This position is authorized to implement all necessary actions to ensure achievement of the objectives of an effective, accountable compliance program.

STANDING ORDER 100.

OFFICERS OF THE UNIVERSITY

100.1 Designation and to Whom Responsible.

* * *

(b) The President shall be responsible directly to the Board. All other Officers shall be responsible to the President directly or through designated channels, with the exception of the General Counsel and Vice President for Legal Affairs and the <u>Senior</u> Vice President–Chief Compliance and Audit Officer, both of whom shall have a dual responsibility to the Board and to the President.

* * *

100.4 Duties of the President of the University.

(a) The President shall be the executive head of the University and shall have full authority and responsibility over the administration of all affairs and operations of the University, excluding only those activities which are the responsibility of the Secretary<u> and Chief of Staff</u>, Chief Investment Officer, General Counsel of The Regents, and <u>Senior Vice President</u>–Chief Compliance <u>and Audit</u> Officer. The President may delegate any of the duties of the office except service as an ex officio Regent.

* * *

(c) The President of the University, in accordance with such regulations as the President may establish, is authorized to appoint, determine compensation, promote, demote, and dismiss University employees, except as otherwise provided in the Bylaws and Standing Orders and except those employees under the jurisdiction of the Secretary<u> and Chief of Staff</u>, Chief Investment Officer, and General Counsel of The Regents. Before recommending or taking action that would affect personnel under the administrative jurisdiction of Chancellors, Executive Vice Presidents, Senior Vice Presidents, other Vice Presidents, or Directors of the Ernest Orlando Lawrence Berkeley National Laboratory, the Ernest Orlando Lawrence Livermore National Laboratory, and the Los Alamos National Laboratory, the President shall consult with or consider recommendations of the appropriate Officer. When such action relates to a Professor, Associate Professor, or an equivalent position; Assistant Professor;

a Professor in Residence, an Associate Professor in Residence, or an Assistant Professor in Residence; a Professor of Clinical (.e.g, Medicine), an Associate Professor of Clinical (e.g., Medicine) or an Assistant Professor of clinical (e.g., Medicine); a Senior Lecturer with Security of Employment, or a Lecturer with Security of Employment, the Chancellor shall consult with a properly constituted advisory committee of the Academic Senate.

* * *

STANDING ORDER 101.

FACULTY MEMBERS AND OTHER EMPLOYEES OF THE UNIVERSITY

* * *

101.1 Employment Status.

* * *

(c) Appointments, promotions, demotions, and dismissals of all faculty members and other employees, except as otherwise provided in the Bylaws and Standing Orders, shall be under the jurisdiction of the President of the University, and of the Secretary <u>and Chief of Staff</u>, Chief Investment Officer, and General Counsel of The Regents in their respective areas of responsibility.

* * *

101.2 Compensation.

(a) Rate of compensation and subsequent changes in rate of compensation shall be determined by the Board upon recommendation of the President of the University or upon recommendation of the Secretary <u>and Chief of Staff</u>, Chief Investment Officer, or General Counsel of The Regents in their respective areas of responsibility through the Committee on Compensation for:

* * *

(b) Mutually agreeable changes in the effective date of appointment of and in percent of time to be served by those enumerated in (a) above may be approved by the President of the University and by the Secretary <u>and Chief of Staff</u>, Chief Investment Officer, or General

Counsel of The Regents in their respective areas of responsibility with commensurate adjustment in compensation based on the salary rates approved by The Regents. Any such changes shall be reported annually to the Board.

(c) Compensation of other employees except as otherwise provided in the Bylaws and Standing Orders of The Regents shall be under the jurisdiction of the President of the University and of the Secretary <u>and Chief of Staff</u>, Chief Investment Officer, and General Counsel of The Regents in their respective areas of responsibility.

The proposed changes to Bylaw 21.3 amplify and clarify the current duties and responsibilities of the Secretary of The Regents as they presently exist. The other proposed changes to Standing Orders and Bylaws reflect the title change from Secretary to the new title – Secretary and Chief of Staff to The Regents.

Technical amendments are recommended for Bylaw 14.7 and 21.3 to reflect the action taken at the September 2006 meeting to amend the title of the Treasurer.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

12. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN/UC-PERS PLUS 5 PLAN–ANNUAL ACTUARIAL VALUATION**

Mr. Paul Angelo, representing the Segal Company, the University's consulting actuary, presented the company's third actuarial valuation of the University of California Retirement Plan/UC-PERS Plus 5 Plan. He reviewed the key valuation results, the demographics of the plan membership, and the recent rates of return on plan asset values, as follows, and discussed briefly some subjects that will be reported on in 2007.

Regarding the key valuation results of the most recent valuation, July 1, 2006, as compared with those from last year's valuation, under the University's funding policy currently in effect there are no expected or recommended contributions. This has been the case for most members since the 1990 valuation. The Actuarial Value of Assets (AVA) increased from $41.1 to $42.0 billion. This is the measure of assets that is compared to Plan liabilities to determine the funded status of the plan as part of calculating the expected contributions. It reflects "smoothed" investment gains and losses from the last five years. This AVA increased slightly, as the significant Market Value losses in the Plan years ending 2001, 2002, and 2003 are now almost fully recognized. The Actuarial Accrued Liability (AAL) for all members (active and retired) increased by $3.0 billion, from $37.3 billion to $40.3 billion. This is the usual sort of growth in this liability, due primarily to the accrual of an additional year of service by active members, and the accrual of one year's interest on the liability.

In comparing these two values, the funded status declined from a surplus of $3.8 billion to a surplus of $1.7 billion. This is a decline from a high point of about $13 billion in the 2000 and 2001 valuations, due generally to losses in the financial markets early in this decade and the fact that Plan Normal Costs for actives (including new hires) continue to accrue during this period of zero contributions. The Market Value of Assets (MVA) increased from $41.9 billion to $43.4 billion.

The funded percentage is another way of expressing the funded status of the Plan, where the AAL and the AVA are compared as a ratio rather than as a difference. Consistent with the decrease in the amount of the surplus, the funded percentage also decreased from about 110 percent a year ago to 104 percent this year. The "Normal Cost" of the Plan is the annual amount of cost that must be accrued over the career of each member to fund the members' UCRP benefits. As a percentage of covered payroll, the Normal Cost for the 2006-2007 Plan year is 15.81 percent, up from 15.34 percent last year. The annualized compensation for all active members of UCRP is about $8.3 billion as of July 1, 2006, so in dollars the current Normal Cost is over $1.3 billion.

In summary, the Plan continues to be in a surplus position (about $1.7 billion), but the surplus will continue to decline as Normal Costs accrue at a rate of over $1.3 billion per year.

With respect to the changes in the amount of the surplus, based on the smoothed Actuarial Value of Assets, the Segal Company expects some decrease in the surplus due to the accrual of another year of Normal Cost, offset by interest on the previous year's surplus. There were asset losses – on the AVA basis – as the AVA recognized previous Market Value losses that were not recognized in the prior valuation. There were also some liability losses that added to the asset loss, primarily due to individual salary increases larger than expected (average actual increase of 5.9 percent compared to an assumed average of 3.4 percent). These salary increases include promotion and merit increases for individuals as well as across-the-board increases. The net result of all these effects is that, as noted earlier, the surplus went from $3.83 billion to $1.67 billion.

In 2006, there are around 122,000 active UCRP employees. The average age of the active membership remained the same as last year, while the average service decreased slightly. Non-active members include members who are currently receiving benefits as well as those members who have terminated from the University and will receive benefits in the future. There has been a steady increase in both of these categories. The total annual benefits in pay status equal about $1.3 billion. That this amount equals the Normal Cost is coincidental.

In comparing historical rates of return on both the Market Value and Actuarial Value bases, the UCRP expected or assumed return is 7.5 percent. While the Plan had a positive return of 7.2 percent, because 7.5 percent was expected, relative to that assumption there was a loss of 0.3 percent. In the other direction, the 10.3 percent return for Plan year ended 2005 generated only a 2.8 percent gain compared to the assumed 7.5 percent. The most dramatic of these comparisons is the year ended 2002. The actual market-to-market loss was

9 percent, but the shortfall relative to the assumption was the difference between a positive 7.5 percent and a negative 9 percent, or 16.5 percent. The year ended 2001 was not as bad but shows the same effect. The market value results do not immediately affect the Plan's disclosed funded status, however. Funded status is driven not by the MVA but by the AVA. The AVA smooths investment gains and losses over five-year periods. The AVA tracks the MVA but dampens or smooths out short-term volatility in the MVA.

When the most recent return on AVA (5.9 percent) is compared to the 7.5 percent assumption, on a smoothed basis there was an actuarial loss of 1.6 percent. Breaking down the change in surplus by source shows that this 1.6 percent loss on AVA accounted for $0.67 billion of the reduction in the surplus.

The Plan's current surplus of assets over liabilities is $1.67 billion. Its annual normal cost of over $1.3 billion is being funded out of that surplus. The Plan's projected assets and liabilities determined that the Plan's funded ratio is expected to continue to decline to less than 100 percent unless contributions are restarted.

The projected funded ratio for the Plan is based on the assumption that the UCRP employee population will grow at 2.5 percent per year until 2011 and 1.5 percent per year thereafter. All liabilities and assets of UCRP are included in this projection (i.e., all campus locations, medical centers, and lab locations). There are also "catchup" pay increases included for the campus employees only. These projections assume that the market value of assets earns the 7.5 percent investment return assumption each and every year. If no future contributions are made, the funded ratio will continue to decrease over time. The Plan would fall below 100 percent funding very soon, and would continue to fall thereafter. The results of this valuation and these projections do not reflect the effect of the upcoming transfer of assets and liabilities for the Los Alamos National Laboratory (LANL) members into the Los Alamos National Security, LLC (LANS) defined benefit plan. The recent contract with LANS for LANL management and operations involves a new plan for these members, separate from UCRP. The basis for that transfer is still under study. For that reason, the financial impact of that transfer is not reflected in the actuary's report or in the projections.

There are three issues related to the actuarial valuation that will come before The Regents in 2007. The Board took action in March 2006 to update its funding policy effective July 1, 2007. The updated funding policy incorporated the following:

> A target funded status for UCRP of 100 percent over the long term, with University and UCRP member contributions established at the rates necessary to maintain that level within a range of 95 percent to 110 percent if actuarial expectations are met.
>
> A multi-year contribution strategy under which contribution rates will increase gradually over time to 16 percent of covered earnings, based on UCRP's current normal cost.

Resumption of contributions no earlier than July 1, 2007 subject to available funding, completion of the budget process and any applicable collective bargaining requirements.

Since March, the advisory group to the President on retirement benefits has continued to work with their lead consultant, Mercer Human Resource Consulting, to address further specifics of the funding policy. These include:

Specific, year-by-year rates to accomplish the transition from no contributions to full Normal Cost contributions.

Implementation of member contribution rates, subject to applicable collective bargaining agreements.

Development of funding policy parameters to address variations in funded status outside the target ratios due to future actuarial gains and losses.

Segal will continue to work closely with Mercer consultants as they advise The Regents and the advisory group on these issues.

With respect to the LANL/LANS transfer, LANS will sponsor a defined benefit pension plan that is substantially equivalent to UCRP. Approximately 6,500 LANL employees who accepted employment with LANS have elected to participate in the defined benefit plan established by LANS. Eventually, the assets and liabilities attributable to the UCRP benefits for these LANS employees will be transferred to the LANS defined benefit plan. However, the amount of assets to be retained by UCRP for LANL members who have retired or are inactive and the amount of the assets that may be transferred to the LANS defined benefit plan are not currently known. These amounts will depend on the assumptions used, future discussions with DOE, and appropriate regulatory approvals. That process and the resulting transfer amount will require faculty consultation and the Regents' approval. For that reason, the assets and liabilities attributable to the UCRP benefits for these LANS employees are still included in the 2006 valuation results for UCRP, with the liabilities included as part of the UCRP active member liabilities. An update on this topic will be provided in January and March 2007. A similar transfer is expected to occur for the Lawrence Livermore National Laboratory later in 2007 or in 2008.

The next actuarial experience study is proceeding. It involves a detailed review of each of the demographic assumptions, comparing them to recent actual experience. For public plans such as UCRP, these studies are typically performed every three to five years. The last such study was for experience through June 2002; this study will review experience through June 2006. The findings of this study will be presented in 2007, and any assumption changes will be reflected in the July 1, 2007 actuarial valuation.

Regent Schreiner asked whether the upcoming experience study involved a review of the assumed rate of return or would be limited to demographic assumptions. Mr. Angelo responded that it is formally limited to the demographic assumptions. The Segal Company discusses the rate of return annually with the Treasurer's Office. Regent Schreiner asked his opinion of the validity of the 7.5 percent assumed rate. Mr. Angelo confirmed that it was the firm's recommendation. Segal uses one model of many alternatives. Seven and a half percent is at the low end of the range of actuarial assumptions. Most public sector funds in California have a range of from 7.75 to 8 percent.

Regent Blum agreed that, in theory, 7.5 percent was an appropriate number, but he noted that for years one could assume a 7.5 percent return with relatively little risk, mainly because it could be gotten from good quality bonds. Because there is worldwide liquidity today that has not been seen previously, interest rates have been driven down to the point where that kind of return from bonds can no longer be expected. He believed that the risk associated with relying on a 7.5 percent rate of return had increased substantially.

Faculty Representative Oakley asked for clarification of the pending transition of funding arrangements pertaining to former UC employees at LANL. He believed the transition resulted in between 6,000 and 7,000 retirements. Executive Vice President Darling reported that the number of retirements was significantly below what had been projected. As a result, the Laboratory is having to make substantial budgetary cuts.

Professor Oakley asked whether the cohort whose financial liabilities are still to be negotiated represents the entire past and present workforce of LANL that have claims on UCRP for which DOE is ultimately financially responsible. Associate Vice President Boyette affirmed this, explaining that, in negotiating the closeout of its DOE contract, the University is dealing with the remaining LANL retired and inactive employees who chose to stay with UC and determining the DOE's responsibility for them; the University is also negotiating the spinoff to LANS of the active population that will still be working.

Professor Oakley emphasized that in addition to the spinoff, there is a cohort of employees who historically worked as UC employees for the benefit of the federal government, and under the lab contracts there is a standing commitment on the part of the DOE to add assets, if necessary, to meet those liabilities. The negotiation of the asset allocation protects the University in the event that additional assets are owed to the plan by the DOE. Mr. Angelo observed that about 600 retirees who retired ahead of schedule are included in the liabilities that Segal measures, producing a measured amount of value for which DOE is responsible. Executive Vice President Darling added that the University's outstanding retirement investment return has saved the DOE in excess of $1 billion.

Regent-designate Bugay asked about the Segal Company's methodology, noting that there could be a variety of interpretations of the University's circumstance. Although there is an element of subjectivity in actuarial analysis, it is based on standard practice and industry custom. He asked for reafirmation of those parts of the study that are consistent with industry practice and therefore cause Segal to arrive at their conclusions, and for an explanation of how other analysts might come to different conclusions. Although he agreed with Segal's recommendations, he believed it was important to distinguish a difference of opinion from misinformation.

Mr. Angelo answered that the University operates within the prudent range of practices that pertain to pension plans and, in particular, public sector plans. With respect to the investment return assumption, UC has been using the 7.5 percent figure since the early 1990s. During the run up of the market in the late 1990s, optimism found its way into that assumption. CAL-PERS and others went to 8.25 percent or 8.50 percent, but the University remained at 7.5 percent. That is one reason that the UCRP is only now coming out of a surplus position, whereas other systems have not had surpluses since 2000-2001. One of the things that gives UC the latitude of being comfortable currently is that its assumption is long-term. UC did not succumb to the temptation to build a higher investment expectation into the model. Also, the University uses the entry age normal funding method, which is the solid standard. Between the two choices, entry age normal and projected unit credit, the first tends to measure a higher liability, is more demanding, and produces a more stable normal cost. If there are demographic changes or reductions in the active workforce, this method is designed to withstand them and provide a stable constant normal cost. UC's asset smoothing method at five years also is an industry standard. It is designed to capture market cycles and is in the center of the comfort zone. To address the reference to misinformation that could engender criticism, he noted that an observation was contained in the Venuti report that if the fund earned between 10 and 12 percent going forward, forever, it would remain in a fully funded condition. That assumption is true, but the earnings of this fund for the last 3 or 10 or 20 years average over 10 percent. The inference may be drawn that all UC has to do is reproduce the past to remain fully funded, but the comparison is invalid; no actuary would accept it as legitimate. Standards of practice preclude assuming that past performance will predict future return. An actuarial model might produce a figure as high as 8 percent, but no credentialed actuary would ever recommend 10 percent long term.

Regent-designate Bugay emphasized that the policies on which the actuary's conclusions were based would be considered by every standard of practice throughout the industry and beyond as prudent. He voiced his support for following the recommendations and adopting the levels of funding, ages, and assumed rates of return.

Chairman Parsky highlighted the fact that the funded ratio of the retirement system had moved down from 110 percent to 104 percent in a year. He noted also that, although 7.5 percent is a prudent actuarial rate of return, there is still some risk in it. Regent Blum added that if the market were to perform as it had this year, UCRP, with its increasing liability, could face a major deficit.

Faculty Representative Oakley reported that the University Committee on Faculty Welfare and its task force on investments and retirement, which have the foremost experts the faculty can bring to bear, have reviewed the report and its predecessors with care and have endorsed the conclusions fully. Although the faculty have serious issues about the necessary degree of offsetting salary increases, the faculty have endorsed the need for a resumption of contributions in the near future so as to have a soft landing and not face the catastrophic need suddenly to go from no contributions to a combined employee-employer total of 16 percent of payroll.

The meeting adjourned at 10:10 a.m.

Attest:

Acting Secretary