The Regents of the University of California

COMMITTEE ON COMPENSATION
November 14-15, 2007

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

Members present: Regents Blum, Dynes, Hopkinson, Parsky, Pattiz, and Varner; Advisory members Cole, Scorza, and Brown

In attendance: Regents Allen, Brewer, Bugay, De La Peña, Gould, Island, Johnson, Kozberg, Marcus, Preuss, Ruiz, Schilling, and Wachter, Regent-designate Shewmake, Faculty Representative Croughan, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Hume, Executive Vice Presidents Darling and Lapp, Vice Presidents Broome, Foley, and Sakaki, Acting Vice President Standiford, Chancellors Birgeneau, Bishop, Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, and Yang, Acting Chancellor Grey, and Recording Secretary Bryan

The meeting convened on November 14 at 12:05 p.m., with Regent Hopkinson presiding.

1. **REPORT FROM CLOSED SESSION FOR APPROVAL OF INDIVIDUAL SALARY ITEMS**

The Committee forwarded for approval the following items from its November 13 Closed Session:

A. ***Individual Salary Actions***

(1) ***Appointment Salary for Patricia Calarco as Dean–Graduate Division, San Francisco Campus***

Approval of the following items in connection with the appointment salary for Patricia Calarco as Dean–Graduate Division, San Francisco campus:

a. An increase in base salary of $37,600 (23.2 percent), bringing her current base salary of $162,400 to $200,000 (SLCG Grade 107: Minimum $172,300, Midpoint $218,700, Maximum $265,000).

b. Appointment at 100 percent time will be effective upon approval of The Regents.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits, and standard Senior Management benefits which include Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.
- Per policy, ineligible to participate in Senior Management Supplemental Benefit Program due to tenured faculty position.
- Per policy, Ms. Calarco will not be eligible to participate in the merit/equity program until October 1, 2008.

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.

(2) ***Promotional Increase Salary for Margaret Martin as Executive Director–Strategic Planning and Managed Care, School of Medicine, San Francisco Campus***

Approval of the following terms in connection with the promotional increase for Margaret Martin as Executive Director–Strategic Planning and Managed Care, School of Medicine, San Francisco campus:

a. Slotting of new position, Executive Director–Strategic Planning and Managed Care at SLCG 107, as recommended by Mercer Human Resource Consulting (SLCG Grade 107: Minimum $172,300, Midpoint $218,700, Maximum $265,000). Position classified at MSP VII.

b. An increase in salary of $27,968 (18.4 percent), bringing her current base salary from $152,032 to $180,000.

c. Effective upon approval of The Regents.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.
- Per policy, eligibility for participation in the School of Medicine Management Incentive Plan with a maximum payout of up to 20 percent of base salary.
- Ms. Martin will not be eligible for a merit/equity increase on October 1, 2007.

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.

(3) ***Stipend Extension and Increase for Maureen L. Zehntner as Acting Chief Executive Officer–Medical Center, Irvine Campus***

Approval of the following items in connection with the stipend for Maureen L. Zehntner as Acting Chief Executive Officer–Medical Center, Irvine campus:

a. Per policy administrative stipend of $50,000 (11.3 percent), to increase her annual base salary of $444,400, to an annual salary of $494,400 (SLCG Grade 117: Minimum $522,300, Midpoint $679,000, Maximum $835,800). This is an increase to her existing stipend of $20,000 (4.5 percent) and is being requested to reflect that she has now taken on all of the duties of her position as Chief Operating Officer, as well as those of the vacant Chief Executive Officer position.

b. If an adjustment to the base salary is made prior to the termination of this interim role, the dollar amount of the administrative stipend of $50,000 will not change.

c. As an exception to policy, this acting appointment will be effective November 1, 2007 and will continue until October 31, 2008 or until a permanent Chief Executive Officer is appointed, pending approval by The Regents. The original acting appointment (with stipend) was effective November 1, 2005, making the overall duration of this appointment beyond the one year allowed by policy, for a total duration of three years.

d. Per policy, eligibility for additional non-base-building incentive pay (pursuant to the Clinical Enterprise Management Recognition Plan) of up to 20 percent ($88,880) of annual base salary, to be awarded based on meeting performance 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, continued 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.

(4) ***Stipend Adjustment for J. Nicholas Entrikin as Acting Dean and Vice Provost–International Studies, Los Angeles Campus***

Approval of the following items in connection with the stipend adjustment for J. Nicholas Entrikin as Acting Dean and Vice Provost–International Studies, Los Angeles campus:

a. To provide the agreed upon level of compensation, a retroactive adjustment of his approved stipend of 10 percent ($20,200) to 11.5 percent ($23,200) to compensate for the elimination of the former stipend of $3,000 previously received as Chair of the Department of Global Studies. The previously approved total annual salary of $225,100 will continue. (SLCG Grade 106: Minimum $154,200, Midpoint $195,200, Maximum $236,100).

b. If an adjustment to the annual academic base salary is made prior to the termination of this acting role, the current stipend will be recalculated against the new annualized academic base salary.

c. This appointment is at 100 percent and is effective retroactively, from June 1, 2007 through May 31, 2008.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.
- Per policy, Sabbatical Leave Accrual.

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.

(5) ***Stipend Extension for Reynaldo F. Macías as Acting Dean–Division of Social Sciences, College of Letters and Science, Los Angeles Campus***

Approval of the following items in connection with the stipend extension for Reynaldo F. Macías as Acting Dean–Division of Social Sciences, Los Angeles campus:

a. An extension of his existing stipend of 15 percent ($26,800). The 15 percent stipend is proposed to be calculated against the adjusted academic salary of $178,500, for a total annual salary of $205,300 (SLCG Grade: 108 Minimum $192,300, Midpoint $244,900, Maximum $297,400). His adjusted academic salary of $178,500 is derived from a current nine-month faculty salary of $139,700 and 2.5 summer ninths of $38,800.

b. If an adjustment to the annual academic base salary is made prior to the termination of this acting role, the current stipend will be recalculated against the new annualized academic base salary.

c. As an exception to policy, this stipend will be effective January 1, 2008 through December 31, 2008 at 100 percent, or until a permanent appointment is made, whichever occurs first. This period represents an exception to the policy which provides for a maximum stipend period of 12 months. Mr. Macías was initially appointed to this acting capacity from January 1, 2007 through December 31, 2007.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.
- Per policy, Sabbatical Leave Accrual.

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.

(6) ***Stipend Extension 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 stipend extension for Joseph Rudnick as Acting Dean–Division of Physical Sciences, Los Angeles campus:

a. As an exception to policy, an extension of his existing stipend of 15 percent, beyond the one-year duration provided for in policy. The 15 percent stipend is proposed to be calculated against Mr. Rudnick's newly increased, adjusted academic salary of $181,600, for a stipend of $27,240 and a total annual salary of $208,800 (rounded) (SLCG Grade 109: Minimum $214,700, Midpoint $274,300, Maximum $333,700). His adjusted academic salary of $181,600 is derived from a current nine-month faculty salary of $142,100 and 2.5 summer ninths of $39,500.

b. If an adjustment to the annual academic base salary is made prior to the termination of this acting role, the current stipend will be recalculated against the new annualized academic base salary.

c. This appointment is at 100 percent time and is effective retroactive to October 1, 2007 through September 30, 2008 or until a permanent appointment is made, whichever occurs first.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.
- Per policy, Sabbatical Leave Accrual.

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.

(7) ***Salary and Stipend Adjustment and Extension for Scott L. Waugh as Acting Executive Vice Chancellor and Provost, Los Angeles Campus***

Approval of the following items in connection with the salary and stipend adjustment and extension for Scott L. Waugh as Acting Executive Vice Chancellor and Provost, Los Angeles campus:

a. Per policy, effective October 1, 2007, a merit increase of $7,660 (4 percent) and an equity increase of $2,987 (1.5 percent) to increase his base salary of $191,500 to $202,100 (rounded) (SLCG Grade 112: Minimum $298,900, Midpoint $385,300, Maximum $471,500).

b. As an exception to policy, effective January 1, 2008, an increase in the stipend from 41.3 percent to 45 percent ($90,945) to be calculated against Mr. Waugh's base salary of $202,100 as Dean–Social Sciences for a total annual salary of $293,100. The stipend amount of 45 percent constitutes an exception to the policy that provides for up to a 15 percent stipend.

c. If an adjustment to the annual base salary is made prior to the termination of this acting role, the current stipend will be recalculated against the new annualized base salary.

d. As an exception to policy, an extension of his stipend beyond the one-year duration provided for in policy. The initial acting appointment began January 1, 2007 through December 31, 2007 at 100 percent time and is proposed to continue from January 1, 2008 through December 31, 2008, or until a permanent appointment is made, 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, and Executive Salary Continuation for Disability.
- Per policy, continuation of the 5 percent monthly contribution to the Senior Management Supplemental Benefit Program, consistent with Mr. Waugh's appointment prior to July 1996.
- Per policy, Sabbatical Leave Accrual.

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.

(8) ***Stipend Extension for Peter F. Cowhey as Dean–Graduate School of International Relations and Pacific Studies for Additional Duties as Acting Associate Vice Chancellor–International Affairs, San Diego Campus***

Approval of the following items in connection with the stipend extension for Peter Cowhey as Dean–Graduate School of International Relations and Pacific Studies for additional duties as Acting Associate Vice Chancellor for International Affairs, San Diego campus:

a. A 4 percent merit increase ($6,800) to increase his base salary from $171,100 to $177,900 (rounded) effective October 1, 2007 (SLCG Grade 105: Minimum $138,200, Midpoint $174,300, Maximum $210,400.

b. His existing 15 percent stipend (which was effective January 1, 2007 through December 31, 2007) would increase from $25,665 to $26,685 resulting in a total annual salary of $204,600 (rounded), effective October 1, 2007.

c. As an exception to policy, an extension of his existing stipend of 15 percent ($26,685) effective January 1, 2008 through June 30, 2008, or until the appointment of a permanent Associate Vice Chancellor for International Affairs, whichever occurs first. The extension of this stipend beyond the one-year duration constitutes an exception to policy.

d. If an adjustment to the base salary is made prior to the termination of this acting role, the 15 percent stipend will be recalculated against the new base salary.

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, Sabbatical Leave Accrual.

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.

(9) ***Stipend Extension for Susan Moore as Director–Finance and Accounting, Medical Center, San Francisco Campus***

Approval of the following items in connection with a stipend extension for Susan Moore as Director–Finance and Accounting, Medical Center, San Francisco campus:

a. An extension of her existing stipend of $14,900 (7 percent), to increase her base salary of $213,200, to an annual salary of $228,100 (SLCG Grade 107: Minimum $172,300, Midpoint $218,700, Maximum $265,000).

b. The stipend amount will be recalculated with any and all salary adjustments, keeping the percentage constant at 7 percent during the period of this 100 percent time appointment.

c. As an exception to policy, the stipend will be effective October 1, 2007, through June 30, 2008. This period represents an exception to the policy which provides for a maximum stipend period of 12 months. Ms. Moore has received a stipend in this acting capacity since March 15, 2007 (6 months). Ms. Moore is to serve in this capacity up to an additional three months following the appointment of a permanent Director or June 30, 2008, whichever occurs first, to facilitate the smooth transition of responsibilities.

d. Per policy, continued eligibility for participation in the Clinical Enterprise Management Recognition Plan with a maximum incentive of up to 20 percent of base salary.

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.

(10) ***Stipend Extension for Clifford R. Roberts as Acting Associate Vice Chancellor–Research and Director–Laboratory Resource Center, San Francisco Campus***

Approval of the following items in connection with the stipend extension for Clifford R. Roberts as Acting Associate Vice Chancellor–Research and Director–Laboratory Resource Center, San Francisco campus:

a. As an exception to policy, an extension of his existing stipend in the amount of $37,840 (20 percent), to increase his base salary of $189,200, for an annual salary of $227,040 (SLCG Grade 107: Minimum $172,300, Midpoint $218,700, Maximum $265,000). The total stipend percentage of 20 percent represents an exception to the policy which provides for a maximum stipend amount of 15 percent.

b. The stipend amount will be recalculated with any and all salary adjustments, inclusive of merit increases, keeping the percentage constant at 20 percent during the period of this 100 percent time appointment.

c. The stipend will be effective January 1, 2008, through December 31, 2008. This period represents an exception to the policy which provides for a maximum period of 12 months. Mr. Roberts has served in this acting capacity since October 16, 2006 (10 months) and was subsequently approved for a stipend effective January 1, 2007 through December 31, 2007. Mr. Roberts is to serve in this capacity, up to an additional three months following the appointment of a permanent Vice Chancellor–Research or December 31, 2008, whichever occurs first, to facilitate the smooth transition of responsibilities.

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.

(11) ***Annual Incentive Bonus for F. Scott Biddy as Vice Chancellor–University Relations, Berkeley Campus***

Approval of the following items in connection with the annual incentive bonus for F. Scott Biddy as Vice Chancellor–University Relations, Berkeley campus.

a. As an exception to policy, an annual incentive bonus payment of $50,000. This payment, in addition to the base salary of $260,000 (pre-October 2007 merit), brings Mr. Biddy's total cash compensation to $310,000.

b. Effective December 1, 2007, pending approval by The Regents.

c. As approved by The Regents upon Mr. Biddy's appointment effective December 1, 2006 and as an exception to policy, continued eligibility to receive an annual performance incentive bonus with awards not to exceed $50,000. Actual award amount to be determined by assessment of performance and contribution measured against predetermined goals and objectives as established by the Chancellor.

Additional items of compensation currently provided 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.
- Per policy, annual automobile allowance of $8,916.
- Approved as an exception to policy at the time Mr. Biddy was hired in 2001, participation in the Mortgage Origination 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.

(12) ***Eligibility and Payments Under the Senior Management Supplemental Benefit Program for Two Employees, Berkeley Campus***

Approval of an exception to the Senior Management Supplemental Benefit Program policy to allow retroactive eligibility for one employee and one retiree at the Berkeley campus. The University made a written commitment to these individuals that they were eligible to be covered under the Severance Pay Plan (the predecessor to the Senior Management Supplemental Benefit Program). They received written confirmation of their eligibility in 1996, shortly after the policy changed, making them ineligible for participation in the Severance Pay Plan by virtue of their holding dual academic appointments.

Attachment 1 shows the employee names, titles, and summary of total dollar impact of this benefit for each employee.

The compensation described above includes only the University's commitment for this program as outlined in this recommendation; this information will be released to the public immediately following execution.

(13) ***Contract Compensation for John Savage as Head Men's Baseball Coach, Los Angeles Campus***

Approval of the following compensation terms for John Savage as Head Men's Baseball Coach, Los Angeles campus, 100 percent time. Pending approval by The Regents of the compensation terms that exceed delegated authority, Mr. Savage's contract, currently effective July 1, 2007 through June 30, 2010, will be effective October 1, 2007, as indicated below.

The campus undertook negotiations with Coach Savage to amend his current contract to retain him in his current position on the Los Angeles campus.

The following terms and conditions are reflected in the new contract and require approval by The Regents for two reasons: 1) the proposal increases the bonus opportunity more than 15 percent, and 2) the duration of the new contract. Both of these elements exceed the parameters of authority delegated to the campuses for coaches' salaries.

a. This contract increases the opportunity to earn supplemental compensation from $10,000, to a maximum of $40,000 per annum, as described below:

Performance Bonuses: In the event that Coach Savage or the Baseball team, during the term of this employment contract, accomplishes the following, Coach Savage shall receive supplemental compensation during the contract year in which the accomplishment occurs as follows:

Accomplishment	Bonus Amount
Team wins a NCAA Regional game post-season	$ 5,000
Team wins a NCAA Super-Regional game post-season	$10,000
Team participates in the final game(s) of the College World Series	$10,000
Team wins a national championship	$15,000

Coach Savage is eligible to receive more than one bonus, for a maximum cumulative bonus of $40,000, for winning a national championship.

b. This contract has been extended to June 30, 2012. It is brought forward for Regental approval as the proposed increases in total income (described above and below), while less than 30 percent annually, exceed, over the duration of the extended contract, the parameters of authority previously delegated by The Regents to the Chancellor.

Additional elements of compensation include:

- Per delegated authority, the annual base salary is increased to $185,000 by combining the previous base salary of $95,000 and the previous talent fee of $50,000 and increasing this total by $40,000.
- Per delegated authority, the annual talent fee is eliminated.
- Per delegated authority and at the discretion of the UCLA Director of Athletics, eligible to receive $70,000 annually for participating in summer camps; in 2006, Coach Savage earned $63,000.
- Per delegated authority, the elements listed in this recommendation are included in a new contract that replaces and extends the current

contract's length from July 1, 2007-June 30, 2010 to October 1, 2007-June 30, 2012.

- Per policy, eligible for standard 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.

(14) ***Interim Re-Slotting and Salary Adjustment for Judith L. Smith as Dean and Vice Provost–Undergraduate Education, College of Letters and Science, Los Angeles Campus***

Approval of the following items in connection with an interim re-slotting and salary adjustment for Judith Smith as Dean and Vice Provost–Undergraduate Education, College of Letters and Science, Los Angeles Campus:

a. Interim re-slotting of the position of Dean and Vice Provost–Undergraduate Education, College of Letters and Science, Los Angeles Campus, to SLCG Grade 107: Minimum $172,300, Midpoint $218,700, Maximum $265,000, as recommended by Mercer Human Resource Consulting.

b. Increase in base salary from $198,000 to $235,800 (19 percent) resulting from the following salary actions:

   i. A $8,910 (4.5 percent) merit increase.
   ii. A $9,104 (4.4 percent) equity adjustment.
   iii. Folding in the $19,800 (10 percent) stipend initially approved by The Regents in September 2006, for service as UCLA's Accreditation Officer for the Western Association of Schools and Colleges review.

c. Effective retroactive to October 1, 2007.

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, Sabbatical Leave Accrual.

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.

(15) ***Change in Performance Bonus Determination Method for Grace M. Crickette as Chief Risk Officer, Office of the President***

Approval of the following items in connection with the performance incentive payment for Grace M. Crickette as Chief Risk Officer, Office of the President:

a. As an exception to policy, an annual performance incentive payment of $18,910 (10 percent). This payment, in addition to the base salary of $189,100 (prior to October 2007 merit increase), brings the total cash compensation to $208,010.

b. Effective upon approval by The Regents.

c. Continued eligibility to participate in this performance incentive program, with annual awards not to exceed 10 percent of base salary. Actual award amount to be determined by assessment of performance and contribution measured against predetermined goals and objectives.

Additional items of compensation currently provided 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.

(16) ***Incentive Award Payment for Haggai Hisgilov as Executive Director–Strategic Sourcing, Office of the President***

Approval of the following items in connection with the performance incentive payment for Haggai Hisgilov as Executive Director–Strategic Sourcing, Office of the President.

a. Annual performance incentive payment of $17,676 (10 percent of October 1, 2006 base salary).

b. Effective upon approval by The Regents.

Additional items of compensation currently provided include:

- Annual base salary of $202,205 (effective October 1, 2007).
- 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.

Upon motion duly made and seconded, the Committee approved the recommendations and voted to present them to the Board.

2. **REPORT FROM CLOSED SESSION FOR APPROVAL OF COMPENSATION FOR PARTICIPANTS OF BONUS AND/OR INCENTIVE PLANS FOR FISCAL YEAR 2006-07**

The Committee forwarded for approval the following from its November 13 Closed Session:

Approval of award amounts as proposed by UCLA and UCSF for certain members of the Senior Leadership Compensation Group, as described below. The award payments in this item total $113,940 and include payments to six senior managers.

At the September 2007 meeting, The Regents reviewed and approved local incentive payments for other participants whose total cash compensation exceeds $205,000. The total approved at that time was $576,033, paid to 29 senior managers. Additional award payments have since been brought forward by UCLA and UCSF for consideration and approval.

Los Angeles

Staff Achievement Award

The purpose of the Staff Achievement Award program is to encourage excellence in customer and University service, recognize individuals or teams for exceptional performance, encourage innovation and creativity, support professional development, and recognize individuals or teams for efforts that have resulted in reduced operating costs or improved operational efficiency. Eligible participants include policy-covered staff in career, limited, and casual-restricted appointments, including work-study students in non-academic positions and staff hired on an employment contract where eligibility is incorporated into the terms of the contract. Additionally, eligibility is predicated on active employment for a minimum period of six months and for those who have achieved a performance evaluation rating of satisfactory/meets expectations, or better, within the year of the award distribution.

The Staff Achievement Award program is by nomination for one of three categories: Individual Achievement, Team Achievement, and Development awards. Nominations and awards are available at any time during a fiscal year and must be processed within 30 days of the end of the fiscal year. Non-base-building cash awards can be granted either as a percentage of base pay or as a flat dollar amount, with the total award not to exceed 10 percent of an employee's annual base pay (excluding overtime, stipends, and differential pay such as shift differential). Eligible participants may receive any combination of individual, team, or development award annually, provided the combined amount does not exceed the 10 percent limit. The following individuals have been nominated for an award under this program.

Last Name	First Name	Title	Annual Base Salary as of 06/30/07	Incentive %	Incentive Award Amount
Valdiviezo	Nora	Dir, Financial Systems	$195,500	8.3%	$16,275
Ward	Cathy	Inpatient Dir of Nursing	$192,500	10%	$19,250

San Francisco

Staff Recognition and Development Program

The Staff Recognition and Development Program is designed to recognize employees who have demonstrated outstanding individual and/or team performance in contribution to organizational goals and objectives and to provide for employee development opportunities which will enable an employee or groups of employees to function more effectively on the job and/or enhance an employee's advancement within the University. Eligible participants include all non-represented, non-academic career, limited appointment, and casual/restricted employees, with the exception of per diem appointments.

The Staff Achievement Award program is by nomination for one of two categories: Individual Achievement and Team Achievement. The program allows for non-base-building cash awards, funding for training and education, and limited paid leave, enabling the employee to pursue the development of professional skills outside the organization. Awards are limited to 10 percent of an individual's annual salary. Recommendations for this plan are summarized below for the campus and all plans.

Last Name	First Name	Title	Annual Base Salary as of 06/30/07	Incentive %	Incentive Award Amount
Uibel	Isabel C.	Patient Care Director	$170,485	4.13%	$7,041

School of Medicine Management Incentive Plan

The overall goal of the 2006-2007 Management Incentive Plan (MIP) is to improve departmental and organizational performance through outstanding individual and team efforts by developing well-defined and measurable goals and providing financial incentives for meeting or exceeding those predetermined objectives. Eligibility is limited to designated School of Medicine non-academic career status employees with performance ratings at or above the fully satisfactory level. Incentives will be paid only to eligible participants who are appointed and on pay status in the School of Medicine on June 30, 2007 and who have demonstrated successful attainment of minimum performance levels for their position.

Last Name	First Name	Title	Annual Base Salary as of 06/30/07	Incentive %	Incentive Award Amount
Caffey	Marie P.	Dir, Psychiatry and LPPI Administration	$189,900	9.8%	$18,610
Hooven	Martha	Dir, Admin Medicine	$212,800	13%	$27,664
Rein	David	Dir, Faculty Medical Group	$169,600	14.8%	$25,100

A summary of all award payments, both approved in September and those included above for consideration, is shown below:

Location	Total Participants	Total Base Salaries of All Participants	Total Recommended Incentive Awards	Total Awards As % of Salary	Total Cash
UC Irvine	1	$197,600	$24,750	13%	$222,350
UCLA	9	$1,829,900	$131,492	7%	$1,961,392
UCOP	2	$441,556	$5,037	1%	$446,593
UCSD	1	$196,650	$29,498	15%	$226,148
UCSF	22	$4,692,615	$499,197	10.6%	$5,191,812
Grand Total	35	$7,358,321	$689,974	9%	$8,048,295

The incentive compensation described shall supersede all previous oral or written commitments and shall constitute the University's total commitment regarding incentive awards for the individuals identified, until modified by The Regents.

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

3. **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 LAWRENCE BERKELEY NATIONAL LABORATORY**

The Committee forwarded for approval the following from its November 13 Regents Only session:

a. That salary rates be approved, as shown in Attachment 2, effective October 1, 2007 for the University Counsel in the Office of the General Counsel of The Regents, pursuant to Bylaw 12.8(f)(1).

b. That the salary rate be approved, as shown in Attachment 2, effective October 1, 2007 for the Secretary and Chief of Staff and the Associate Secretary, in the Office of the Secretary and Chief of Staff to The Regents, pursuant to Bylaw 12.8(f)(1).

c. That salary rates be approved, as shown on Attachment 2, effective October 1, 2007 for certain Officers of the University and Officers of The Regents, pursuant to Bylaws 12.8(f)(1), and Standing Order 100.3(b); and for other employees with cash compensation above $205,000, as required by Bylaw 12.8(f)(3) and 12.8(f)(4), and Standing Order 101.2(a)(2).

Regent Hopkinson requested that all future merit and equity increases to be approved include percentage of increase on the list of individual actions.

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

4. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF PERFORMANCE BONUS FOR PATRICK V. REED AS UNIVERSITY AUDITOR**

The Committee forwarded for approval the following from its November 13 Regents Only session:

Approval of the following items in connection with the performance bonus payment for Patrick V. Reed as University Auditor, Office of the President:

a. As an exception to policy, a performance incentive payment of $10,000 (4.3 percent). This payment, in addition to the base salary of $232,200 (prior to October 2007) merit, brings the total cash compensation to $242,200.

b. Effective upon approval by The Regents.

Additional items of compensation currently provided 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, continuation of a 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.

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

5. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF TOTAL COMPENSATION FOR DANIEL M. DOOLEY AS VICE PRESIDENT–AGRICULTURE AND NATURAL RESOURCES, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following from its November 13 Regents Only Session:

a. Approval of salary of $320,000 for Daniel M. Dooley as Vice President–Agriculture and Natural Resources, along with the additional compensation-related items listed below.

b. Per policy, participation in the Senior Management Supplemental Benefit Program. The Senior Management Supplemental Benefit Program provides for contributions to be made to the University's Retirement Savings Program Plans. The University will contribute 5 percent of Mr. Dooley's monthly salary to this program.

c. As exception to policy, reimbursement of actual reasonable costs associated with temporary accommodations not to exceed $25,000 over a period of six months to assist with the transition of Mr. Dooley from Sacramento to Oakland.

Additional compensation and related items include:

- Within policy, an automobile allowance of $8,916 per year.
- Per policy, reasonable costs associated with the move from Sacramento to the Bay Area.
- 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.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University Policy.
- 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.

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

6. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF TOTAL COMPENSATION FOR STEVEN V. W. BECKWITH AS VICE PRESIDENT–RESEARCH AND GRADUATE STUDIES, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following from its November 13 Regents Only session:

A. Approval of an annual salary of $320,000, along with the additional compensation-related items listed below, for Steven V. W. Beckwith as Vice President–Research and Graduate Studies, Office of the President.

B. Per policy, participation in the Senior Management Supplemental Benefit Program. The Senior Management Supplemental Benefit Program provides for contributions to be made to the University's Retirement Savings Program Plans. The University will contribute 5 percent of Mr. Beckwith's monthly salary to this program.

C. As an exception to policy, reimbursement of actual reasonable costs associated with temporary accommodations not to exceed $25,000 over a period of six months to assist with the transition of Mr. Beckwith from his Maryland residence to the Oakland area.

D. Within policy, a relocation allowance of $80,000 (25 percent). The policy allows for a relocation allowance of up to 25 percent of base salary. This allowance will be paid in annual installments over three years from date of hire, with installments of 50 percent, 30 percent, and 20 percent, to offset the costs of relocating Mr. Beckwith's home to the Bay Area. If he terminates employment during that period, any remaining payments under this program will be forfeited.

E. Per policy, he will serve at the pleasure of The Regents and the President and can be terminated at any time with or without cause. Per policy, if he does not hold an academic title which qualifies for accrual of sabbatical leave credit and he is terminated for reasons other than cause within the first 18 months of his employment, he will be granted administrative leave with full pay for a period not to exceed three months. If he takes up a faculty appointment that qualifies for accrual of sabbatical leave during the first 18 months of his appointment and in the unlikely event of termination of his appointment for reasons other than for cause during that time period, he will be granted 60 days leave with full pay, the maximum allowable by policy in that circumstance.

Additional compensation and related items include:

- Within policy, an automobile allowance of $8,916 per year.

- Per policy, reasonable costs associated with the move from Maryland to the Bay Area.
- 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.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University Policy.
- 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.

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

7. **ANNUAL ACTUARIAL VALUATION FOR THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP) AND THE 1991 UNIVERSITY OF CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM (UC-PERS PLUS 5 PLAN)**

Each year, The Regents' Consulting Actuary, currently The Segal Company, performs an actuarial valuation of UCRP and of the UC PERS Plus 5 Plan. Associate Vice President Boyette and Mr. Paul Angelo, of The Segal Company, The Regents' actuary, presented the annual actuarial valuation.

The purpose of the annual actuarial valuation for UCRP is to disclose UCRP's funded position as of the beginning of the current plan year, analyze the preceding year's experience, and recommend contribution rates for the coming year. The results of the actuarial valuation as of July 1, 2007 are summarized and presented in the Executive Summary section of the UCRP actuarial valuation report.

The purpose of the annual actuarial valuation for the UC PERS Plus 5 Plan is to review the Trust's fiscal position and funding status to assure that the UC PERS Plus 5 Plan remains adequately funded. The results of the actuarial valuation as of July 1, 2007 are summarized and presented in the Executive Summary section of the UC PERS Plus 5 actuarial valuation report.

UCRP Valuation Results

As of July 1, 2007, there were 47,682 retired members and beneficiaries, 26,776 vested terminated members, 32,280 terminated non vested members and 118,885 active members for a total of 225,623 members included in this valuation. This compares to a total of 220,307 included in the July 1, 2006 valuation.

As of June 30, 2007, the market value of assets of UCRP, after subtracting benefit claims currently payable and other current payables of UCRP, was $48.1 billion as compared to $43.4 billion as of the end of the prior plan year. During the 2006-2007 plan year UCRP experienced an approximate 19 percent investment return on the market value of UCRP assets.

When determining UCRP's funded status ratio, UCRP's actuarial accrued liability is compared to the actuarial (smoothed) value of assets. The "smoothing" method reduces the impact of market volatility by recognizing, in each year, only 20 percent of the investment gains and losses in each of the preceding five years. As of June 30, 2007, this five year period includes two years of investment returns which were less favorable than UCRP's assumed 7.5 percent earnings rate and three which were more favorable. The net result is an 11.5 percent investment return for the 2006-2007 plan year on an actuarial value of assets basis.

Attachment 3 shows, for the most recent ten-year period, the investment rates of return on the market value of assets (MVA) (red line), and on the smoothed actuarial value of assets (AVA) (blue line) as compared to UCRP's assumed earnings rate of 7.5 percent (green line).

Attachment 4 shows the recent history of UCRP's actuarial accrued liability (AAL) growth along with decreases in the funded status ratio on an actuarial value of assets (AVA) basis.

UCRP's actuarial accrued liability increased from $40.3 billion as of July 1, 2006 to $41.4 billion as of July 1, 2007. UCRP's funded status ratio increased from 104 percent as of July 1, 2006 to 105 percent as of July 1, 2007 as a result of several factors, including:

- An investment gain on the smoothed (actuarial) value of assets;
- A decrease in liability due to the new actuarial assumptions, offset by;
- An actuarial loss due to salary increases being greater than expected; and
- The impact of no contributions being made to offset UCRP's normal cost.

The "normal cost" of UCRP is the annual amount, expressed as a percent of payroll (the "normal cost rate") that must be accrued over the total career of each employee to fully provide for future UCRP benefits, measured as of the valuation date. Under the entry age normal method, the UCRP normal cost payable at the beginning of the 2007-2008 plan year is 16.76 percent of covered payroll, or $1.28 billion.

There are several changes in actuarial assumptions reflected in the July 1, 2007 calculations of actuarial accrued liability and normal cost as a result of the July 1, 2002 through June 30, 2006 Actuarial Experience Study. Additionally, the temporary three year reduction in the salary increase assumption that modeled the effect of budgetary constraints has expired with this valuation.

Based on the “full funding limitation” policy currently in effect, the Regents’ Consulting Actuary continues to recommend a zero percent of payroll contribution rate, since the July 1, 2007 actuarial valuation results show that the value of UCRP assets continues to exceed UCRP liabilities. This recommendation is in line with the full funding limitation adopted by The Regents in 1990, as described in IRC 412(c)(7)(A), as amended through that date. Under The Regents’ current policy, the University will suspend contributions when the smaller of the market value or the actuarial value of UCRP assets exceeds the lesser of 1) the actuarial accrued liability including normal cost, or 2) 150 percent of the current liability including current liability normal cost.

One consequence of the current “full funding limitation” based policy is that, when the surplus is exhausted, the recommended contribution will go from zero to the full normal cost very suddenly, in only one or two years. As discussed in the next section, this sudden and large increase in funding requirement may be avoided by a multi-year contribution strategy under which contribution rates increase gradually as funding sources allow.

Evaluation of Sustainability of UCRP Funded Status

The current valuation reflects that UCRP remains over 100 percent funded on both a market value of assets basis (116 percent) and an actuarial value of assets basis (105 percent). However, because of the ongoing accrual of the annual normal cost, even if the fund earns the assumed earnings rate of 7.5 percent, UCRP’s funded status will decline over time unless contributions are resumed. The Regents’ action in October 1990 to suspend contributions did not include specific guidelines as to when University contributions should be resumed or when the redirected member contributions should be reinstated in UCRP.

To clarify their intent, the Regents took action in March 2006 to update its funding policy to incorporate 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. As part of this approved action in March 2006, The Regents authorized the reinstatement of contributions to provide for a multi-year contribution strategy under which contribution rates will increase gradually over time to approximately 16 percent of covered earnings, based on UCRP’s then current normal cost. The split of UCRP contributions between the University and employees are to be determined at a later date. Under current circumstances with a 16 percent contribution requirement, it is expected that employee contributions will rise to about 5 percent over time. The University would be expected to contribute the balance. Implementation of contributions is subject to available funding, completion of the budget process, and collective bargaining requirements, as applicable.

Because funding for UCRP contributions was not included in the State of California budget for the 2007-2008 fiscal year, and, given the strong performance of UCRP, the actual start date for the restart of pension contributions has been rescheduled. The University continues to discuss UCRP funding with State officials, and, for represented employees, the restart of contributions will be subject to the collective bargaining process.

More detailed schedules and descriptions related to the UCRP actuarial valuation are included in the UCRP Valuation Results, Supplemental Information and Reporting Information sections of the actuarial report as of July 1, 2007.

The schedule at the end of this section shows actuarial valuation highlights.

Los Alamos National Laboratory (LANL) Transfer of Assets and Liabilities

Effective June 1, 2006, the management of LANL transferred from the University to Los Alamos National Security, LLC (LANS). Approximately 6,600 former UC employees elected to transfer their accrued UCRP benefits and service credit to the LANS Plan. For the July 1, 2006 valuation, these former employees were reported as active members of UCRP.

During the 2006-2007 plan year The Regents approved an agreement with the Department of Energy/National Nuclear Security Administration (DOE/NNSA) on the transfer of assets and liabilities from UCRP to the LANS Plan for these former employees. In addition, The Regents approved a funding agreement between the University and the DOE/NNSA that confirms the DOE/NNSA's ongoing funding obligations for UCRP benefits of those former LANL employees who did not elect to participate in the LANS Plan as well as for retired, inactive, and disabled LANL members and survivors of deceased LANL members (LANL Retained Segment).

This valuation reflects the assets and liabilities that were transferred to the LANS Plan. It also takes into account the liabilities and contributions for the LANL Retained Segment. In accordance with the DOE/NNSA agreement to fund the cost associated with those LANL members whose benefits are retained in UCRP, a receivable contribution of $17.4 million from the DOE/NNSA is reflected in this valuation.

Lawrence Livermore National Laboratory Transfer of Assets and Liabilities

The University of California contract to manage LLNL expired on September 30, 2007. The DOE/NNSA executed a new management and operations contract effective October 1, 2007 with LLNS.

Under the terms of the LLNS contract, LLNS will sponsor the LLNS Plan, which is a defined benefit pension plan that is designed to be substantially equivalent to UCRP.

The amount of UCRP assets and liabilities that may be transferred to the successor LLNS Plan is unknown. It is dependent on the elections of approximately 7,300 active members currently working at LLNL, the assumptions used and future discussions with the DOE/NNSA. This valuation does not reflect the transfer of assets and liabilities or any changes in the assumptions or membership data in anticipation of members electing to retire or terminate employment differently than currently assumed for all active members.

UC-PERS Plus 5 Plan Valuation Results

On October 18, 1990, The Regents approved an early retirement incentive program for University employees who were covered under the California Public Employees' Retirement System (CalPERS) pension plan. The most tax-effective method to provide this group with a benefit generally comparable to the incentive offered to UCRP Members was to establish a Afrozen@ defined benefit plan under Section 401(a) of the Internal Revenue Code.

The UC-PERS Plus 5 Plan required campus and laboratory locations to fund their individual liabilities over no longer than five years. The UC-PERS Plus 5 Plan is a standard terminal funding arrangement under a wasting trust which, in this instance, is obligated to make fixed lifetime payments under either a single or joint-survivor benefit structure. The assets must remain in the trust until all benefit obligations have been satisfied. The assets are commingled with UCRP assets for maximum investment return without the loads, fees, or industry risk attached to an insurance contract. Market value of assets, rather than smoothed value, is used for actuarial purposes.

In Revenue Ruling 89-87, the Internal Revenue Service clarified that a wasting trust is subject to the standard pension qualification, funding, and reporting requirements. As such, The Regents' Consulting Actuary, The Segal Company, reviews the Trust's fiscal position and funding status annually to assure that the UC-PERS Plus 5 Plan is adequately funded.

As of July 1, 2007, the net assets of the wasting trust were $86.1 million and the actuarial accrued liability was $42.3 million. The surplus grew by approximately $9.8 million as benefit disbursements, and expenses were offset by investment performance that was more favorable than assumed (approximately an 18.0 percent investment return versus the assumed 7.5 percent investment return) as well as investment earnings on the UC-PERS Plus 5 Plan's prior year surplus.

As of July 1, 2007, there were 758 retired members and beneficiaries in the UC-PERS Plus 5 Plan, down from 773 as of July 1, 2006.

Due to initial cost concerns, no provision was included for an automatic annual cost of living adjustment (COLA) provision for UC-PERS Plus 5 Plan retirees and beneficiaries. As the UC-PERS Plus 5 Plan's funded status improved, in May 2002, The Regents approved a proposal to provide these annuitants a 25 percent ad hoc COLA, which restored their purchasing power to 96 percent effective July 1, 2002.

Since that time, the Consumer Price Index has increased about 15 percent; therefore, as of July 1, 2007, the retained purchasing power for UC-PERS Plus 5 Plan annuitants is approximately 83 percent, whereas their UCRP counterparts have a retained purchasing power of approximately 90 percent.

A proposal for an ad hoc COLA and a permanent annual COLA on the same basis as the UCRP COLA will be presented at this meeting.

The proposed ad hoc COLA would restore the purchasing power of UC-PERS Plus 5 Plan annuitants to the same 90 percent annuitant purchasing power as their UCRP counterparts. A permanent COLA that matches UCRP would ensure that the purchasing power of the UC-PERS Plus 5 Plan annuitants would continue to match their UCRP counterparts. The combined effect of the ad hoc and permanent COLAs would reduce the funded status of the UC-PERS Plus 5 Plan from 203 percent to 165 percent.

In response to the identification of issues needing a Board policy decision, Regent Hopkinson requested to see a range of options and the effect of each option. She and Regent Varner requested that the discussion of options begin in the Committee on Finance in January 2008.

8. **PROPOSED AD HOC COLA AND PERMANENT ANNUAL COLA FOR ANNUITANTS COVERED UNDER THE 1991 UNIVERSITY OF CALIFORNIA-PUBLIC EMPLOYEES' RETIREMENT SYSTEM VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM (UC-PERS PLUS 5 PLAN)**

The President recommended that:

A. The UC-PERS Plus 5 Plan be amended to provide:

(1) A one-time ad hoc COLA, effective January 1, 2008 to bring purchasing power up to 90.40 percent. The ad hoc COLA would provide an adjustment of 8.55 percent, which would bring purchasing power up to the same level as UCRP Members who retired at the same time.

(2) A permanent annual COLA on the same basis as UCRP for the future beginning July 1, 2008.

B. The Regents direct the President to review the status of the retained purchasing power for UC-PERS Plus 5 Plan annuitants and make recommendations from time to time for The Regents' consideration for ad hoc COLA amendments designed to maintain 75 percent purchasing power subject to the availability of funds in the UC-PERS Plus 5 Plan and provided such treatment is consistent with the treatment of UCRP annuitants.

C. Authority be delegated to the Plan Administrator to implement the proposed amendments approved by The Regents.

Associate Vice President Boyette recalled that in October 1990, The Regents approved the UC-PERS Plus 5 Plan, an early retirement incentive program that provided supplemental benefits for UC employees who were covered under the California Public Employees' Retirement System (PERS), now known as "CalPERS". The early retirement incentives were generally comparable to the UCRP VERIP I incentives offered at that time to eligible UCRP Members.

The UC-PERS Plus 5 Plan is a closed defined benefit pension plan providing lifetime supplemental retirement income (and survivor benefits) to eligible participants who retired on October 1, 1991. To be eligible to retire under the UC-PERS Plus 5 Plan, employees were also required to retire on the same date under PERS, which provides their primary retirement benefits. Of those employees eligible, 879 elected to retire under the UC-PERS Plus 5 Plan.

To cover the costs of the UC-PERS Plus 5 Plan, UC locations were required to fund the liabilities of their employees who retired under the UC-PERS Plus 5 Plan over a period no longer than five years. Consequently, when The Regents approved the provisions of the UC-PERS Plus 5 Plan, it specifically excluded an annual COLA provision because the locations funding the benefits were concerned about being responsible for a cost that could not be predicted with certainty. As a result, although the UC-PERS Plus 5 Plan annuitants have received periodic COLAs on their primary retirement benefit from CalPERS, there were no COLAs on their supplemental benefit from the UC-PERS Plus 5 Plan prior to 2002, causing them to be treated differently than individuals retiring on the same date who received their full benefit under UCRP.

In May 2002, The Regents approved a proposal to provide these annuitants with a one-time COLA of 25 percent, effective July 1, 2002, which was equal to the total of the COLAs that had been provided annually to the UCRP Members who accepted the UCRP VERIP-I. This adjustment effectively restored the purchasing power of a UC-PERS Plus 5 Plan annuitant's benefit to 96 percent of its original level, comparable to the retained purchasing power of benefits for UCRP annuitants who retired under the VERIP-I Program. The Regents also approved that beginning July 1, 2003, the retained purchasing power of UC-PERS Plus 5 Plan benefits would be reviewed annually, and based upon such reviews, future ad hoc COLAs might be recommended by the President from time to time for The Regents' consideration, subject to the availability of funds in the UC-PERS Plus 5 Plan.

As of July 1, 2007, the UC-PERS Plus 5 Plan had 758 annuitants receiving benefits with total annual benefits in pay status of $5.2 million. The UC-PERS Plus 5 Plan is a closed plan covering only retired members and their survivors, which means there will be no new entrants in the future who would qualify for UC-PERS Plus 5 Plan benefits and thereby increase UC-PERS Plus 5 Plan future obligations. The Regents' actuary for the UC-PERS Plus 5 Plan, The Segal Company, has advised that based on current Plan assumptions it is not expected that any future contributions will be required. Below is a table showing the UC-PERS Plus 5 Plan assets, present value of future obligations, excess assets, and funded percentage as of July 1, 2007.

UC-PERS Plus 5 Plan Assets and Liabilities as of July 1, 2007

Plan Assets	Present Value of Future Obligations	Excess Assets	Funded Percentage
$86.1 million	$42.3 million	$43.8 million	203.4%

The Consumer Price Index (CPI), as defined in the UCRP Plan document, has increased by approximately 15 percent since the 2002 ad hoc COLA was provided to the UC-PERS Plus 5 Plan annuitants. As of July 1, 2007, the retained purchasing power for UC-PERS Plus 5 Plan annuitants is approximately 83.28 percent, whereas their UCRP counterparts have retained purchasing power of approximately 90.40 percent.

Because of the disparity in purchasing power and due to the funded status of the UC-PERS Plus 5 Plan, it is recommended that the UC-PERS Plus 5 Plan annuitants be provided with a one-time ad hoc COLA of 8.55 percent effective January 1, 2008 and that a permanent annual COLA on the same basis as UCRP be adopted, beginning July 1, 2008.

The UCRP annuitant COLA percentage for a specific year depends not only on the CPI increase that year, but also on the cumulative increase in CPI since the Member retired. For this purpose two banks are maintained, an "inflation bank" and a "COLA bank," which are then used to determine the total COLA amount that an annuitant is entitled to in a given year. UC-PERS Plus 5 Plan annuitants will have an inflation bank and a COLA bank as well. In order to make the COLAs equal for the UC-PERS Plus 5 Plan annuitants and UCRP annuitants who retired at the same time, the UC-PERS Plus 5 Plan annuitants will have a beginning balance in their inflation bank equal to that of UCRP annuitants who retired at the same time and will accumulate inflation banks and COLA banks in the same manner as UCRP annuitants going forward.

The Human Resources and Benefits Department has completed the consultation process with the Academic Senate, including receiving support for the proposal from the Academic Council, and the University Committee on Faculty Welfare and its Task Force on Investment and Retirement.

Cost

The Segal Company has estimated the cost of this proposal to be $9.7 million, which will reduce the funded status of the UC-PERS Plus 5 Plan to 165 percent. The proposed COLA provisions for the UC-PERS Plus 5 Plan will have no impact on the funded status of UCRP.

Next Steps

The University will take appropriate action concerning proposed changes that may trigger notice, consultation, and meeting and conferring obligations under the Higher Education Employer-Employee Relations Act (HEERA) and UC policy, if any such action is required. The Associate Vice President–Human Resources and Benefits, as Plan Administrator, will implement the amendments as approved by The Regents and take any actions required by HEERA.

Regent Hopkinson believed that there were two separate issues: whether to grant a COLA and what else it might be possible to do with the extra funds. The funds were provided by the campuses in proportion to their participants in the early retirement program. She pointed out that the funds are entrusted for the benefit of this group of 758 employees. If no COLA is provided, by 2016 the fund will be 500 percent over-funded. One option could be to return the excess to the campuses.

Regent Parsky advocated exploring ways to extinguish the University's obligations to these individuals. Regent Bugay suggested investigating the option of providing a lump sum buy-out to this group. He believed that it was premature to discuss providing COLAs until other options have been explored.

Regent Gould believed a formal analysis of what the funds could be used for was necessary in order to provide context.

It was the consensus of the Committee that the item should be tabled pending this analysis and the presentation of a variety of alternative options.

9. **UPDATE ON THE TRANSITION OF LAWRENCE LIVERMORE NATIONAL LABORATORY TO THE LAWRENCE LIVERMORE NATIONAL SECURITY, LLC AND THE AGREEMENTS WITH THE DEPARTMENT OF ENERGY REGARDING THE TRANSFER OF ASSETS AND LIABILITIES FROM THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN TO THE LAWRENCE LIVERMORE NATIONAL SECURITY, LLC DEFINED BENEFIT PENSION PLAN**

The University served as the prime contractor for the Berkeley Radiation Laboratory, the predecessor of LLNL, from 1943 to 1952 and then for LLNL through September 30, 2007. Under the prime contracts, DOE/NNSA reimbursed the University for contributions made by the University to UCRP to fund the benefits accrued by LLNL employees who participated in UCRP. The assets and liabilities associated with the UCRP benefits of University employees performing service at LLNL have been allocated to a segment within UCRP (LLNL Segment) and accounted for separately by The Regents' actuary each year since the early 1990s at the request of DOE/NNSA.

Upon the expiration of the Contract on September 30, 2007 and consistent with their elections required under the LLNL Request for Proposal issued by the DOE/NNSA, active LLNL employees who transferred employment to LLNS began participating in either Total Compensation Package 1 (TCP1) or Total Compensation Package 2 (TCP2). Employees who elected to participate in TCP1 receive retirement coverage under the LLNS Plan, while those who elected TCP2 receive retirement coverage from the LLNS market-based defined contribution plan (DC Plan). The UCRP benefits and service credit of those who elected TCP1 must be transferred to the LLNS Plan under the terms of the Contract. Vested UCRP members who elected TCP2 could either retire or become inactive UCRP members as of the transition date and remain eligible for a future UCRP benefit. No UCRP-associated assets or liabilities will be transferred for LLNL employees who elected to participate in TCP2.

As of July 1, 2007, the market value of assets attributable to the entire LLNL Segment was \$5.527 billion, while the actuarial value of assets was \$4.991 billion. The actuarial accrued liability for the LLNL Segment was \$5.057 billion. The actuarial accrued liability for the benefits of members electing to participate in the LLNS Plan, as determined under the LLNS Plan provisions and the actuarial assumptions and methods used by the LLNS Plan's actuary, will almost certainly be different from the UCRP liability associated with these former UCRP members, because the LLNS Plan is subject to different legal requirements established in the Employee Retirement Income Security Act of 1974 (ERISA) that apply to the defined benefit plans of private sector employers.

In accordance with the terms of the Contract, the University is also required to transfer UCRP assets at a rate sufficient to meet the cash flow requirements of the LLNS Plan until the terms of the final transfer of assets and liabilities to the LLNS Plan are resolved with the DOE/NNSA (Final Transfer). Consequently, at its May 16, 2007 meeting, The Regents authorized the interim transfers of UCRP assets to the LLNS Plan to the extent necessary to satisfy the plan's cash flow needs. Any UCRP assets transferred, and related earnings, are to be accounted for in the Final Transfer.

At its September 19, 2007 meeting, The Regents authorized a contingent alternative method for supporting the timely payment of the UCRP portion of benefits payable to or on behalf of eligible members of the LLNS Plan who retire, die, or become disabled before the Final Transfer and to the alternate payees of members of the LLNS Plan named in a qualified domestic relations order, including former spouses, who request that their benefits begin before the Final Transfer (collectively, Eligible Payees). The alternative method will be invoked only if LLNS adopts a position similar to that taken by the Los Alamos National Security, LLC (LANS), namely, that it could not accept cash flow-based funding without jeopardizing the tax-qualified status of the LLNS Plan. Under the alternative method, benefits for an Eligible Payee, to the extent accrued under UCRP, will be paid directly from UCRP until the Final Transfer is accomplished. Any monies paid from UCRP to Eligible Payees under the alternative method will be accounted for in the determination of the amount of the Final Transfer.

Contract Formula

The formula outlined in the Contract (Formula) for determining the amount of assets to be transferred to the LLNS Plan is the same "A minus B" formula that applied to the transfer from UCRP to the LANS Defined Benefit Pension Plan (LANS Plan). Under the Formula, "A" equals the market value of the assets allocated to the LLNL Segment prior to transfer, and "B" equals the liabilities associated with the UCRP benefits that will be retained in UCRP in the LLNL Segment. That liability amount will reflect the value of the benefits accrued by former LLNL employees who elected inactive membership in UCRP, retired, died, or become disabled on or before October 1, 2007 as well as their eligible survivors and beneficiaries.

Agreements

Two agreements were reached with DOE/NNSA to complete the final transfer to the LANS Plan. The first was an agreement that established the process for determining the amount of assets and liabilities to be transferred and the supporting documentation required to be provided before the transfer could occur (Transfer Agreement). The second was a "Funding Agreement," which clarified the DOE/NNSA's obligation under the Contract to reimburse the University for any contributions made to UCRP to fund any existing or future funding shortfalls in UCRP associated with members' LANL service. It also established the methodology of calculating whether a current shortfall exists.

Due to the similarity of the transactions at LANL and at LLNL, it is expected that the LANL Transfer Agreement and the LANL Funding Agreement will serve as models for the LLNL agreements. As was the case with the LANL agreements, the substance of the agreements concerning the transfer of assets and liabilities from UCRP to the LLNS Plan will undergo regulatory review by the Internal Revenue Service (IRS) to insure compliance with applicable federal tax laws and will be modified as necessary to conform to such requirements. It is expected that the future recommendation for Regents' action will propose that the actual transfer of assets to the LLNS Plan occur as early as April 1, 2008. The LLNS Plan will then assume the liabilities transferred from UCRP determined as of October 1, 2007. The future recommendation is also expected to include the approval of an agreement confirming DOE/NNSA's obligation to reimburse the University for any contributions made to UCRP to fund the LLNL Segment remaining in UCRP if a shortfall occurs.

As authorized by The Regents at its September 2007 meeting, a University team led by Associate Vice President Boyette–Human Resources and Benefits has begun to hold regularly scheduled discussions with the DOE/NNSA team led by Contractor Human Resources Specialist Sanchez regarding the appropriate amount of assets and liabilities to be transferred to the LLNS Plan and related matters. Because of the complex legal issues presented by this transaction, the University and DOE/NNSA teams have agreed to seek guidance on the structure of the transaction from key regulatory agencies, including the Internal Revenue Service, the Department of Labor, and the Pension Benefit Guaranty Corporation. An early resolution will help LLNS satisfy the LLNS Plan's minimum funding obligations under ERISA by the applicable April 2008 deadline and thereby avoid significant economic penalties. UCRP's interests will be served by having the LLNS Plan assume the obligation to pay the benefits accrued under UCRP as quickly as possible and thereby make the interim payment arrangement no longer necessary.

Consultation

University administrators have consulted with and will continue to engage in consultation with the appropriate representatives of the Academic Senate, including the University Committee on Faculty Welfare (UCFW) and the UCFW Task Force on Investment and Retirement regarding the issues described in this item.

Next Steps

It is expected that the proposal for the Final Transfer will be presented to the Committee on Compensation for action as early as the January 2008 meeting of The Regents. The University will take appropriate action concerning proposed changes that may trigger notice, consultation, and meeting and conferring obligations under the Higher Education Employer-Employee Relations Act, if any such action is required.

10. **AMENDMENT OF THE HEALTH SCIENCES SEVERANCE PAY PLAN TO PERMIT IMMEDIATE DISTRIBUTIONS AND TERMINATION OF THE PLAN AND RELATED COMPENSATION ACTIONS**

The President recommended that:

A. The Health Sciences Severance Pay Plan (HSSPP) be amended to permit immediate distribution of the remaining HSSPP balances in order to avoid significant tax penalties.

B. The HSSPP be terminated after the last distribution is paid.

C. The University reimburse employees identified on Attachment 5 for applicable tax preparation fees, interest and penalties, if any, and any incremental taxes associated with such reimbursements, evidenced by receipts or other documentation.

The recommendation is based on advice of external and internal counsel and following consultation with the University Committee on Faculty Welfare (UCFW) and the UCFW Task Force on Investment and Retirement.

The HSSPP was designed as a replacement for the contributions that schools that participated in the Health Sciences Compensation Plan made to the Tax-Deferred 403(b) Plan accounts of certain eligible faculty members from 1972 to 1988. Those contributions ceased in 1989 when they became problematic because of changes in the tax laws. Four health sciences schools established an HSSPP-UCLA School of Medicine, UCLA School of Dentistry, UCI School of Medicine and UCD School of Medicine.

In 1992, Vice President Ronald W. Brady forwarded a memorandum stating that he had been informed by the external auditor that it would be difficult to obtain approval of payment for the HSSPP benefit from the Department of Health and Human Services. Based on Regental policy, no State funds could be used to support the HSSPP. That meant the cost of the program would have to be charged against unrestricted funds, including funds that could otherwise be paid to faculty members as clinical compensation income.

The funding issue caused the UCLA School of Medicine to terminate its program and pay out participants in 1992. The other three health sciences schools that had adopted an HSSPP stopped allocating the compensation-based credits to participants' accounts over the next several years. The three locations, however, have continued to credit interest at the University STIP rate and pay out the balances when faculty members terminated employment or lost eligibility. The remaining HSSPP balances were identified by a work group established last year to collect data on deferred compensation arrangements maintained by all the locations in light of recent IRS guidance on deferred compensation arrangements. Currently, there are 56 HSSPP accounts systemwide with remaining balances in the dollar ranges shown:

Number of Participants	Remaining Balance
4	More than $200,000
10	$100,000-$200,000
5	$50,000-$100,000
3	$25,000-$50,000
2	$10,000-$25,000
32	Less than $10,000

The drafters of the HSSPP apparently intended the plan to be characterized as a "bona fide severance pay" arrangement within the meaning of Section 457(e) of the Code so that a participant would not be taxed on the accruals until the year payment was made. Currently, there are limited possibilities for avoiding immediate taxation of deferred compensation under a governmental plan. Primarily, the alternatives are retirement plans qualified under Section 401(a) of the Code such as UCRP and the Defined Contribution Plan, as well as tax-advantaged plans such as UC's Tax Deferred 403(b) Plan and the 457(b) Deferred Compensation Plan. Two other possibilities for deferring taxation are a 457(f) plan, which requires that the benefits be subject to a significant risk of forfeiture, and certain kinds of programs similar to payroll, such as bona fide vacation leave, sick leave, compensatory time, disability pay, death benefit pay and severance pay. Since the HSSPP imposes no risk of forfeiture on the benefits accrued under the program, counsel believes it does not qualify as a 457(f) plan.

Whether the HSSPP would have qualified as a bona fide severance pay plan was less clear. Since the IRS had never defined "severance pay," many governmental plan sponsors relied on the definition in the Department of Labor (DOL) regulations that describe a plan under which payment is "not contingent on the employee's retiring, the total amount of such payments does not exceed two times the employee's annual compensation, [and] payments are completed within 24 months after the employee terminates employment." The HSSPP satisfies all these requirements. In the late 1990s, however, the IRS came out with guidance that suggested that the DOL severance pay definition did not necessarily apply for purposes of defining "bona fide severance pay" under Section 457 of the Code. The IRS further undercut support for the viability of the HSSPP as a tax-deferral mechanism with the passage of Section 409A of the Code that governs the tax treatment of deferred compensation under nonqualified plans. Starting in 2008, penalties equal to 20 percent of the amount required to be included in income will be imposed on the benefits of plans that are out of compliance with the IRS's newly clarified deferred compensation requirements.

The HSSPP, as authorized by The Regents in 1990, currently states that distributions can be made only in two circumstances: when the participant terminates University employment or when the participant loses eligibility to participate in the applicable health sciences compensation plan. In order to make distributions this year, the HSSPP will need to be amended to permit immediate distributions. In light of the clarifications of applicable tax law, the Administration is also recommending that the HSSPP be terminated.

External tax counsel has advised that any distribution made to an employee this year will be included in the employee's income this year and taxed at the regular wage rates for supplemental payments except for any amounts previously included in income, such as the amounts reported in amended IRS Forms W-2c for the open tax years as described below. Because the HSSPP is a nonqualified plan, the payments cannot be rolled over to an IRA or a tax-qualified employer retirement plan. The participants were recently informed that if The Regents authorized the necessary amendments at the November meeting, the distributions would be made as soon as possible following the Regents' meeting.

External tax counsel also has advised that the University will need to provide each participant Forms W-2c (Corrected Wage and Tax Statement) and that participants will need to amend their tax returns for the prior three years (federal) and four years (state) to include the additional income attributable to the interest credits accrued during each open tax year. These interest credit amounts will not be includible in taxable income when the balance is paid out.

Under these circumstances, the Administration is also recommending that the University reimburse the affected employees for applicable tax preparation fees, interest and penalties, if any, and any incremental taxes associated with such reimbursements, as evidenced by receipts or other documentation. No income or other employment taxes owed by the employee related to the additional income reported on the W-2c itself would be reimbursed by the University.

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

11. REVIEW OF PROPOSED CHANGES TO THE GOVERNANCE MODEL FOR SENIOR LEADERSHIP COMPENSATION AND RELATED POLICIES

This item was withdrawn.

12. **ADJUSTMENTS TO SELECTED PROVISIONS OF THE CLINICAL ENTERPRISE MANAGEMENT RECOGNITION PROGRAM**

The Committee discussed the following draft Presidential recommendation, to be effective July 1, 2008 for the 2008-09 plan year:

A. Revise the Clinical Enterprise Management Recognition Program (Plan), as indicated below, to bring the Plan into alignment with competitive market practices.

B. Authorize the Office of the President, Human Resources and Benefits to implement the proposed amendments.

PLAN DESIGN CHANGES

There are four key Plan design features being recommended for change. These recommended changes will better align the Plan with market prevalent practices based on the Mercer *2007/2008 US Compensation Planning Survey*, pertaining to pay practices in the Healthcare industry and in Government/Nonprofit. These recommended changes include:

Eligibility Determination
Specific positions have been listed as eligible, and language added to the Plan to help describe the type and level of functional responsibilities necessary for participation in the Plan. Generally, participants will be a member of the senior leadership of the Clinical Enterprise, and Chancellors may recommend participation for key senior management, by submitting a request to the Provost and Executive Vice President–Academic and Health Affairs for approval. This central oversight will provide consistency in participation across the entire UC Clinical Enterprise system.

Financial Attainment Required
Financial performance measures necessary to trigger funding and award payouts will be established through consultation with the Medical Centers, the Vice President–Health Sciences and Services, the Executive Vice President and Provost, and with the Executive Vice President–Business Operations and the Executive Vice President and Chief Financial Officer.

A baseline level of financial attainment (floor), equal to a minimum cash flow before intra-institutional transfers, must be met in order for the Plan to partially fund. Financial attainment at this level will allow for awards to be paid out in recognition of over-achievement of previously established non-financial goals, such as initiatives of patient care quality, and patient satisfaction. This floor level of financial performance would not trigger funding or payouts for attainment of previously established financial goals.

Full Plan funding will be established upon reaching a target level of financial attainment, which will be tied to meeting budgeted financial operating performance for the Clinical

Enterprise. Lower or higher levels of funding/payout will be based on lower or higher levels of financial attainment as measured against the budget. A minimum and maximum will be established.

Setting financial attainment levels at each location, instead of at an overall UC System level, allows for more direct alignment to the mission and goals of each enterprise and for more direct influence in meeting the target set for each enterprise. These levels of financial attainment will be reviewed annually in conjunction with and be approved by the Executive Vice President–Business Operations or the Executive Vice President–Chief Financial Officer.

Award Opportunity and Cost

The Plan design changes will redefine award opportunity to allow for differentiation based on organizational level, as noted below. The current Plan provides a target incentive award of 15 percent for everyone, regardless of level. Competitive practice differentiates award levels, providing, on average, a 20 percent target for CEOs of non-profit medical centers. Competitive, prevalent practice also provides for a minimum level of funding if threshold performance is met as well as capping the maximum payout and funding level.

Position Level within Organization	**Threshold Payout (as % of base)**	**Target Payout (as % of base)**	**Maximum Payout (as % of base)**
Chief Executive Officer	10%	20%	30%
Other "Chief-Level" and Other Key Senior Clinical Enterprise Leadership	7.5%	15%	25%
Other Clinical Participants	7.5%	15%	20%

The cost of implementing these revised award opportunity levels could be greater or lesser than under the current Plan depending on the performance of the enterprise and individual, and the actual payout level being awarded. Award payments at a threshold level of performance would result in a reduced cost of the Plan. Under the current Plan, award payments in 2007 totaled $2.9 million. Assuming a static population and using the 2007/08 adjusted salaries, award payments would be approximately $3.1 million at the new target payout levels and $4.9 million at the new maximum payout levels. Total payouts could be less than previous years if performance were lower.

Performance Measures

Five categories of goals have been identified that will be used in establishing systemwide, institution and individual performance measures:

- Financial Performance
- Quality Improvements
- Satisfaction (Patient and Employee)
- Key Achievements against the Strategic Plan
- People and other Resource Management

This will help clarify and redefine the "Performance Objectives" defined in the current Plan. Each performance measure must fall into one of the defined categories and no single category should account for more than 50 percent of the total incentive. It is recommended that up to three goals be established per organizational level, with no more than nine goals in total.

Threshold, target and maximum levels of performance will be established by the Clinical Enterprise, and where applicable, with the appropriate senior management at Office of the President. Actual awards will be based on assessments of performance and contributions.

In addition, performance will be measured across three organizational levels with the following suggested range of weightings:

	Organization Levels		
Position Level within Organization	**Systemwide Clinical Enterprise**	**Institution**	**Individual**
Chief Executive Officer	25% to 50%	25% to 50%	10% to 25%
Other "Chief-Level" and Other Key Senior Clinical Enterprise Leadership	10% to 25%	25% to 50%	25% to 50%
Other Clinical Participants	N/A	25% to 50%	25% to 75%

REVISED PLAN SUMMARY

The proposed Plan summary described below notes any changes from the current Plan provisions:

Eligibility

- Eligible participants are generally defined as the senior leadership of the Clinical Enterprise who have a significant strategic impact and broad span of control with the ability to affect organization-wide change.
- The Chancellor may recommend to the Provost and Executive Vice President, Academic and Health Affairs for approval, additional key employees for participation in the Plan. (New for Plan Year 2008)
- Participants must be active, full-time employees at the end of the Plan year. Prorated awards may be granted to participants newly appointed during the Plan year.
- Participants are not eligible to participate in any other University recognition or incentive award programs.

Award Levels

- Plan participants are assigned threshold, target and maximum recognition award levels as part of their competitive total cash compensation package. These award levels serve to motivate and drive individual and team performance toward annually established goals.
- Award levels are determined based, in part, on the level within the organization. *(New for Plan Year 2008)*
- Target awards should be calibrated to expected results, while maximum awards should only be granted for superior performance against established measures. Actual awards may not exceed the maximum award level.

Performance Measures

- Prior to the beginning of each Plan year, a series of financial and non-financial measures will be established consistent with the mission and goals of each Clinical Enterprise.
- Measures should fall into the categories below, with no single category accounting for more than 50 percent of the total incentive, and will be calculated at the System, Institution and Individual level.
    - Financial Performance
    - Quality Improvements
    - Satisfaction (Patient and Employee)
    - Key Achievements against the Strategic Plan
    - People and other Resource Management
- It is recommended that there be up to three goals per level (system, institution and individual) with no more than nine goals in total.

The University of California Office of the President (UCOP) Senior Management Compensation group requested that Mercer Human Resource Consulting (Mercer) review the Clinical Enterprise Management Recognition Program (Plan) to:

- Evaluate the following Plan features against market prevalent practices:
  - Eligibility
  - Performance Measures
  - Incentive Award Opportunity
- Ensure the Plan is competitive, fair and reasonable
- Provide recommendations, if needed, to strengthen the Plan.

Listed below by Plan feature are:

- Current Plan provisions based on the University of California Clinical Enterprise Incentive Plan Summary, revised December 16, 1997.
- Recommendations for aligning the Plan with prevalent market practices.

Plan Purpose

Current Incentive Plan

- Provide variable, non-base salary recognition awards to those responsible for attaining or exceeding key Clinical Enterprise objectives consistent with the University's objectives.
- Focus participants on the achievement of local and systemwide institutional objectives to encourage teamwork and to recognize join effort required to meet challenging organizational goals.

Recommendations

No change.

Eligibility

Current Incentive Plan

- Eligible participants include members of the Senior Management team of the Medical Centers and other key Medical Center employees, as determined and approved by the respective Chancellor.

Recommendations

- Clarify eligibility definition such to generally identify a core group of senior leadership participants across Clinical Enterprises, and to allow recommendation by the Chancellor for additional key participants.
- Recommendations for additional participants would be reviewed and approved by the Provost and Executive Vice President, Academic and Health Affairs.

Award Levels, Pool and Cost

Current Incentive Plan

Although the current Plan contemplated differentiation based on level of contribution, the administration of this Plan created a tight clustering around the 15 percent payout average.

- Performance at threshold level was intended to earn an incentive payout of 5 percent to 9 percent
- Performance at target level was intended to earn an incentive payout of 10 percent to 14 percent
- Performance at maximum level was intended to earn an incentive payout of 15 percent to 20 percent
- At the end of each fiscal year, an award pool is established based on each Medical Center's achievement in meeting or exceeding the approved performance objectives. The pool will be between 10 percent and 15 percent of eligible payroll base and will be recommended by the Chancellor to the President for approval.

Recommendations

- Differentiate award opportunity by organizational level of the position held, as indicated below. This practice is prevalent in the market and supported by survey data.

Position Level within Organization	**Threshold Payout (as % of base salary)**	**Target Payout (as % of base salary)**	**Maximum Payout (as % of base salary)**
Chief Executive Officer	10%	20%	30%
Other "Chief-Level" and Other Key Senior Clinical Enterprise Leadership	7.5%	15%	25%
Other Clinical Participants	7.5%	15%	20%

- The award pool will be determined based on expected incentive payouts given target and maximum opportunities, and the Clinical Enterprise's achievement in meeting or exceeding the approved performance objectives. The target payout will no longer be used as a control point in establishing the pool.
- The cost of implementing these revised award opportunity levels could be greater or lesser than under the current Plan depending on the performance of the enterprise and individual, and the actual payout level being awarded. Assuming a static population and using the 2007/08 adjusted salaries, award payments at the new target payout level would be approximately $3.1 million.

Performance Measures and Objectives

Current Incentive Plan

- Prior to the beginning of each fiscal year, a series of financial and non-financial/quality, and strategic objectives will be established consistent with the Medical Center's mission and goals in the clinical enterprise area.
- Two performance measures will be utilized in determining the award amount for each participant in the Plan.
- Annual performance objectives will be established in the areas of Institutional Objectives and Individual Managerial Objectives.

Recommendations

- Prior to the beginning of each Plan year, a series of financial and non-financial measures will be established consistent with the mission and goals of each Clinical Enterprise.
- Measures should fall into the categories below, with no single category accounting for more than 50 percent of the total incentive, and will be calculated at the System, Institution and Individual level.
  - Financial
  - Quality
  - Satisfaction (Patient and Employee)
  - Strategic Planning
  - People
- It is recommended that there be up to three goals per level (system, institution and individual) with no more than nine goals in total.

Associate Vice President Boyette agreed to address concerns Regent Hopkinson expressed about the establishment of an award pool and present a revised recommendation at the January meeting.

13. **REPORT ON ACTION TAKEN UNDER THE ESTABLISHMENT OF RECRUITING AND NEGOTIATION PARAMETERS FOR CERTAIN ATHLETIC POSITIONS AND COACHES, SYSTEMWIDE**

Attachment 6 is the November report to The Regents in response to *Establishment of Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches*, as passed by The Regents at the July 2007 meeting. This delegation of authority is specific and limited to the following circumstances, terms and conditions:

A. Approval of delegations to negotiate compensation contracts for coaches, as defined below, to be used in two specific circumstances.

(1) Pre-emptive or Active Retention – When the Chancellor, or his/her designee, needs to negotiate with an incumbent coach as a result of that coach

receiving an expression of serious interest of employment from another entity, or an actual offer of employment from another entity.

(2) Replacement – After the termination of a coach either by his/her own choice or by the department's choice, the Chancellor, or his/her designee, must immediately negotiate with candidates as a replacement for the coach who is terminating.

B. Approval of the following parameters for delegation of authority:

(1) Guaranteed Compensation – Authority to negotiate an increase of up to 30 percent on the annual guaranteed compensation (defined as salary and talent (fees). This authority applies the 30 percent limit to the overall cumulative total (before and after negotiation) for Guaranteed Compensation under the new and old contracts.

(2) Maximum Bonus – Authority to negotiate an increase of up to 15 percent on all incentives or bonuses. This authority applies the 15 percent limit to the overall cumulative total (before and after negotiation) for Maximum Bonus under the new and old contracts.

(3) Deferred Compensation – Authority to negotiate an increase of up to 15 percent on any deferred compensation. This authority applies the 15 percent limit to the overall cumulative total (before and after negotiation) for Deferred Compensation under the new and old contracts.

(4) Camps – Authority to negotiate an increase of up to 30 percent on compensation earned from camps. This authority applies the 30 percent limit to the overall cumulative total (before and after negotiation) for Camp income under the new and old contracts.

(5) Benefits – Authority to offer the same systemwide benefits, including vacation, sick leave, disability, and standard University of California pension, health and welfare benefits under the programs and policies pertaining to all employees of the University.

(6) Other – Authority to negotiate providing courtesy vehicles (supplied by donors/ contributors) and non-cash compensation such as club memberships and other perquisites, consistent with standard practices.

C. Approval of delegation of authority under the defined parameters, above, for all men's and/or women's coaches and football offensive/defensive coordinators whose new potential total cash compensation exceeds the Indexed Compensation Level, currently set at $200,000 per annum.

D. It is proposed that this specific set of delegations will be reviewed by The Regents annually, along with a full reporting of all coaches whose total cash compensation exceeds the Indexed Compensation Level. In addition, any actions taken under this delegation by Chancellors will be reported publicly at the next Regents' meeting in the same manner as interim actions. The Office of the President will be responsible for providing corresponding updated market and comparability data to The Regents as part of the annual process.

Any proposals exceeding the levels or parameters noted above would continue to require submission to and advance approval by The Regents. In addition, if the new contract includes exceptions to policy, advance approval by The Regents will be required.

Termination and liability clauses limiting the University's obligations will be used in all contracts. Each final contract will require the review and sign off by Office of the General Counsel.

If the funding of a coach's contract comes from sources other than athletic department revenues (including athletic equipment supplier agreements) or private fundraising, this will require Regental review and approval.

Regent Hopkinson believed that the President should review and approve negotiated contracts and indicate that approval when the item is forwarded to the Regents for action.

The Committee recessed at 1:30 p.m.

. . . .

The Committee reconvened on November 15, 2007 at 12:35 p.m.

Members present: Regents Blum, Dynes, Hopkinson, Parsky, and Varner; Advisory members Scorza and Brown

In attendance: Regents Allen, Brewer, Bugay, De La Peña, Garamendi, Gould, Island, Kozberg, Marcus, Preuss, Ruiz, and Schilling; Faculty Representative Croughan, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Hume, Executive Vice Presidents Darling and Lapp, Senior Vice President Vacca, Chancellors Blumenthal, Fox, and Vanderhoef, and Recording Secretary Bryan

14. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF COMPENSATION FOR ROBERT C. DYNES AS PROFESSOR ABOVE SCALE IN THE DEPARTMENT OF PHYSICS, SAN DIEGO CAMPUS**

The Committee recommended for approval the following, from its November 14 Regents Only meeting, for Robert C. Dynes, as Professor of Physics, Above Scale (entitled to use the appellation, "Distinguished Professor"), San Diego campus, 100 percent time:

A. Annual professorial salary of $245,000.

B. Per policy, eligible for a paid administrative leave in lieu of sabbatical for one year to be taken upon stepping down as President, paid at his President's rate of pay, with the requirement to return to service at his professorial rate of pay for the same period of time as the leave. Failure to return to service creates an obligation to refund the salary earned while on leave.

C. Per policy, reimbursement of reasonable moving expenses from the Blake House in Kensington to his San Diego residence.

D. Per Academic Personnel Policy, payment of the cost of moving his laboratory from Berkeley to San Diego.

E. Per policy, ineligible to continue to participate in the Senior Management Supplemental Benefit Program, Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

F. Per policy, eligible to continue to receive UC standard Pension and Health and Welfare benefits.

G. Per policy, eligibility for a Mortgage Origination Program (MOP) loan upon commencement of paid administrative leave in lieu of sabbatical or upon return to faculty status. Policy requires repayment of the loan within six months should he terminate employment rather than retire.

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 Provost's recommendation and voted to present it to the Board.

The meeting adjourned at 12:40 p.m.

Attest:

Secretary and Chief of Staff