The Regents of the University of California

COMMITTEE ON COMPENSATION
January 18, 2007

The Committee on Compensation met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present	Regents Coombs, Dynes, Hopkinson, Moores, Parsky, Schilling, Varner, and Wachter; Advisory members Brewer and Oakley
In attendance:	Regents Blum, Garamendi, Gould, Johnson, Kozberg, Lansing, Ledesma, Marcus, Preuss, Ruiz, and Schreiner, Regents-designate Allen and Bugay, Faculty Representative Brown, Acting Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Hume, Executive Vice President Darling, Vice Presidents Gomes, Hershman, and Sakaki, Chancellors Birgeneau, Bishop, Córdova, Drake, Fox, Vanderhoef, and Yang, Acting Chancellors Abrams and Blumenthal, and Recording Secretary Bryan

The meeting convened at 9:05 a.m. with Committee Chair Hopkinson presiding.

1. **READING OF NOTICE OF MEETING**

For the record, it was confirmed that notice was given in compliance with the Bylaws and Standing Orders for a Special Meeting of the Committee on Compensation, concurrent with the meeting scheduled for this date and time, for the purpose of considering recommended compensation actions.

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

Upon motion duly made and seconded, the minutes of the meeting of November 16, 2006 were approved.

3. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL TO USE FEE EARNED BY THE UNIVERSITY FOR UNREIMBURSED SALARY AMOUNTS FOR UC-DESIGNATED KEY PERSONNEL AT LOS ALAMOS NATIONAL SECURITY, LLC**

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

That the amount of compensation unreimbursed by Department of Energy National Nuclear Security Administration (NNSA) for five UC-designated key personnel at Los Alamos National Security, LLC (LANS) be reimbursed by UC from the fee earned by the University under the terms of the LANS contract.

The annual salaries shown below for each individual were effective October 1, 2006 as presented to and approved by the LANS Executive Committee Governing Board. The following tables confirm the annual salary to be paid to the individuals, the amount reimbursed by NNSA, and the amount to be reimbursed by the University. The total annual amount proposed for reimbursement by the University is $79,975, and the source of funds will be from the fee earned by the University under the terms of the LANS contract.

Proposed UC Annual Reimbursements for Federal FY2007
(October through September)

LANS Key Personnel from UC	**Annual Salary Effective Oct 1, 2006**	**NNSA reimbursed amount**	**UC reimbursed amount**
Anastasio	$390,400	$357,000	$33,400
Mara	$320,000	$306,000	$14,000
Wallace	$260,000	$251,500	$8,500
Neu	$237,100	$214,200	$22,900
Bishop	$248,675	$247,500	$1,175
Total			**$79,975**

The annual base compensation described for the above-named individuals shall constitute the University's total commitment under each respective program for those individuals until modified by The Regents and shall supersede all previous oral or written commitments.

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

4. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL TO USE FEE EARNED BY THE UNIVERSITY UNDER PRIME CONTRACT W-7405-ENG-48 FOR UNREIMBURSED SALARY AMOUNTS FOR SENIOR MANAGEMENT GROUP AND NON-SENIOR MANAGEMENT GROUP PERSONNEL AT LAWRENCE LIVERMORE NATIONAL LABORATORY**

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

That the amount of compensation unreimbursed by the Department of Energy-National Nuclear Security Administration (DOE-NNSA) for senior management group and non-senior management group personnel at Lawrence Livermore National Laboratory (LLNL), as shown below, be reimbursed by the University from the fee earned under the terms of the current LLNL prime contract W-7405-ENG-48.

The following table displays the amounts already approved by The Regents to be paid to the individuals, the amounts reimbursed by NNSA, and the amount to be reimbursed by the University.

LLNL SMG Member	Annual Salary Approved by The Regents Effective Oct 1, 2006	NNSA Reimbursed Amount	Proposed UC Reimbursed Amount
Miller	$390,400	$315,619	$74,781
Murray	$337,100	$283,550	$53,550
Leary	$332,800	$288,750	$44,050
Moses	$312,000	$307,450	$4,550
Diaz De La Rubia	$292,500	$290,250	$2,250
Warner	$291,000	$260,040	$30,960
Tulk	$286,900	$282,188	$4,712
Bookless	$283,100	$278,425	$4,675
Ferderber	$272,900	$245,410	$27,490
Younker	$267,500	$264,987	$2,513
Sub-Total UC SMG Amount			**$249,531**
LLNL non-SMG			
Wisoff	$243,696	$235,510	$8,186
Carter	$233,724	$232,500	$1,224
Wapman	$240,624	$231,210	$9,414
MacGowan	$234,060	$227,370	$6,690
Barty	$221,430	$210,030	$11,400
Spain	$233,340	$207,781	$25,559
Craft Rogers	$208,800	$203,400	$5,400
Koenig	$204,000	$195,600	$8,400
Dunning	$203,784	$199,999	$24,184
Conaway	$198,292	$192,271	$6,021
King	$199,999	$194,877	$5,122
Knight	$204,504	$170,525	$33,979
Sub-Total UC non-SMG Amount			**$145,579**
Total UC Amount			**$395,110**

The annual base compensation described for the above named individuals shall constitute the University's total commitment under each respective program for those individuals until modified by The Regents and shall supersede all previous oral or written commitments.

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

5. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF INCENTIVE PAY FOR WILLIAM H. GURTNER AS VICE PRESIDENT–CLINICAL SERVICES DEVELOPMENT, OFFICE OF THE PRESIDENT**

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

A performance incentive payment for William H. Gurtner as Vice President-Clinical Services Development, Office of the President:

A. Incentive payment of $75,000 (17.9 percent of annual base salary) based on assessment of Mr. Gurtner's performance against goals and objectives, and as authorized under the terms of his letter of appointment approved by The Regents on December 4, 1995.

B. Effective upon approval by The Regents.

Additional items of compensation currently include:

- Annual base salary of $418,400.
- Per policy, leased automobile.
- Per policy, an Administrative Fund. Adjustments may occur annually as allowed by policy.
- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, 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 report and voted to present it to the Board.

6. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF CREATION OF NEW POSITION AND SLOTTING FOR VICE PRESIDENT–HEALTH SCIENCES AND SERVICES, OFFICE OF THE PRESIDENT**

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

A. Establishment of a new position within the Senior Management Group, Vice President–Health Sciences and Services reporting to Executive Vice President and Provost Hume.

B. Approval of slotting of new position, Vice President–Health Sciences and services, at SLCG Grade 113; range minimum $325,000, midpoint $420,000, maximum $515,000

Additional items of compensation will 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

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

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

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

A. ***Promotional Increase and Title Change for David Hughes as Investment Officer, Office of the President***

Approval of following items in connection with the promotional increase and title and job grade change for David Hughes as Investment Officer, Office of the President:

(1) Promotional increase of $5,642 (4.6 percent) to bring his base salary from $122,958 to $128,600 (lagging the midpoint by -15.1 percent for SLCG Grade 104, minimum $120,400, midpoint $151,400, maximum $182,400).

(2) Promotion to Investment Officer–Externally Managed Investments SLCG grade 104, 100 percent time.

(3) Per policy, eligibility to participate in the University of California Office of the Treasurer Annual Incentive Plan, with an incentive target of 35 percent up to a maximum of 70 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.

B. ***Promotional Increase and Title and Grade Change for Omar Sanders as Investment Officer, Office of the President***

Approval of the following items in connection with the promotional increase and job grade change for Omar Sanders as Investment Officer, Office of the President:

(1) Promotional increase of $14,146 (10 percent) to bring his base salary from $141,468 to $155,614 (lagging the midpoint by -8.2 percent for SLCG Grade 105, minimum $134,400, midpoint $169,600, maximum $204,700).

(2) Promotion to Investment Officer–Fixed Income Investments, SLCG grade 105, 100 percent time.

(3) Per policy, eligibility to participate in the University of California Office of the Treasurer Annual Incentive Plan with an incentive target of 35 percent of up to a maximum of 70 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.

C. ***Stipend Adjustments for Various University Employees, Berkeley and Davis Campuses***

Approval of the application of these previously approved administrative stipends to the newly merited base salaries for Christina Maslach as Interim Dean–Undergraduate Division, College of Letters and Science, Berkeley campus; Mark Richards as Executive Dean–College of Letters and Science, Berkeley campus; and Fred E. Wood as Acting Vice Provost–Undergraduate Studies, Davis Campus.

Christina Maslach:

(1) Per Policy, administrative stipend of 15 percent (calculated against her October 1, 2006 merited salary, the stipend is $26,000) to increase her base salary of $173,400, for a total annual salary of $199,400.

(2) This appointment is at 100 percent time, and this changed calculation is effective October 1, 2006 through June 30, 2007.

(3) 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.

Mark A. Richards:

(1) Per policy, administrative stipend of 15 percent (calculated against his October 1, 2006 merited salary, the stipend is $31,400) to increase his base salary of $209,000, for a total annual salary of $240,400.

(2) This appointment is at 100 percent time and the changed calculation is effective October 1, 2006 through September 30, 2007.

(3) 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.

Fred E. Wood:

(1) As an exception to policy, administrative stipend of $31,791 (26.9 percent) for a total annual salary of $149,940. Original stipend amount approved by The Regents. This action is being brought before the Regents because the stipend exceeds 15 percent.

(2) This appointment is at 100 percent time, and the extension of the administrative stipend is effective July 1, 2006 through March 31, 2007.

This position is slotted on an interim basis at SLCG Grade Salary Grade 105; minimum $130,900, midpoint $165,100, maximum $199,300.

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

D. ***Salary for Manuel Porto M.D. as Acting Dean –College of Health Sciences and the School of Medicine, Irvine Campus***

Approval of the following items in connection with the compensation for Manuel Porto as Acting Dean–College of Health Sciences and the School of Medicine, Irvine campus.

(1) Annual appointment salary of $257,000 (equal to his current base pay).

(2) As an exception to policy, an administrative stipend of $15,709 per month (68.6 percent) to maintain Dr. Porto's current level of income, in recognition of the necessary reduction of clinical revenue he will realize while he assumes temporary administrative dean's duties and reduces his clinical practice.

(3) Effective November 1, 2006 and continuing until a new dean is appointed and the transition of responsibilities is final, or until October 31, 2007, whichever occurs first. The campus has recruited a Vice Chancellor of Health Affairs, who will initially also concurrently serve as Dean of the School of Medicine.

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.

E. ***Stipend for Thomas V. McAfee, M.D., Physician-in-Chief, Health Sciences, San Diego Campus***

Approval of the following items in connection with the with the assumption of additional temporary duties for Thomas V. McAfee as Physician-in-Chief, Health Sciences, San Diego campus:

(1) An administrative stipend of 10 percent ($35,310) to increase his base salary of $353,100, for a total annual salary of $388,410.

(2) The stipend amount will be increased as the base salary is increased, so the stipend will equal 10 percent of the base salary.

(3) The responsibilities assumed by Dr. McAfee, resulting from the vacancy of the Associate Vice Chancellor–Finance and Administration position and the corresponding stipend will be in effect October 1, 2006 through September 30, 2007 or until the Associate Vice Chancellor–Finance and Administration position is filled, 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, eligibility for the Clinical Enterprise Management Recognition Program.
- 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.

F. ***Stipend for Ronaldo G. Espiritu as Associate Dean for Business and Fiscal Affairs, Health Sciences, San Diego Campus***

Approval of the following items in connection with the assumption of additional temporary duties for Ronaldo Espiritu as Associate Dean for Business and Fiscal Affairs, Health Sciences, San Diego Campus:

(1) An administrative stipend of 15 percent ($26,600) to increase his base salary of $177,300, for a total annual salary of $203,900.

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

(3) The responsibilities assumed by Mr. Espiritu, resulting from the vacancy of the Associate Vice Chancellor–Finance and Administration position and the corresponding stipend will be in effect October 1, 2006 through

September 30, 2007, or until the Associate Vice Chancellor–Finance and Administration, Health Science position is filled, whichever occurs first.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.
- Per policy, eligibility for the Staff Recognition and Development 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.

G. ***Stipend for Peter F. 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***

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

(1) An administrative stipend of 15 percent ($25,700), to increase his base salary of $171,100, to a total annual salary of $196,800.

(2) 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.

(3) Effective January 1, 2007 through December 31, 2007, or until the appointment of a permanent Associate Vice Chancellor for International Affairs, 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.
- 0 percent tenured faculty position and accrual of sabbatical credits.

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

H. ***Stipend for Clifford Roberts as Acting Associate Vice Chancellor–Research Services, San Francisco Campus***

Approval of the following items in connection with the appointment of Clifford R. Roberts as Acting Associate Vice Chancellor–Research Services, San Francisco campus:

(1) As an exception to policy, an administrative stipend of 20 percent (calculated against current academic appointment salary, the stipend is $37,840) to increase his base salary of $189,200, for a total annual salary of $227,040.

(2) This appointment is at 100 percent time and effective upon approval through December 31, 2007, or until this responsibility is transferred to the new Associate Vice Chancellor–Research Services potentially including up to a three month transition period, whichever is sooner.

(3) If an adjustment to the base salary is made prior to the termination of this acting role, the 20 percent stipend will be recalculated against the new 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.

I. ***Stipend Adjustment for Daniel Neumark as Scientific Division Director–Faculty, Chemical Sciences Division, Lawrence Berkeley National Laboratory***

Approval of the following recalculation of the existing Administrative Stipend for Daniel Neumark as Scientific Division Director–Faculty, Chemical Sciences, Lawrence Berkeley National Laboratory:

(1) Approval to apply previously approved administrative stipend of 15 percent to new annualized salary resulting from a merit increase effective July 1, 2006 and an across-the-board increase effective October 1, 2006. This adjustment will result in an additional stipend amount of $2,560 total (representing back pay) for both actions.

(2) As adjustments are made to the incumbent's base salary, the 15 percent stipend will be recalculated against the new base salary.

Additional items of compensation include:

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

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

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

J. ***Administrative Stipend for Ernest L. Majer as Acting Scientific Division Director–Earth Sciences, Lawrence Berkeley National Laboratory***

Approval of the following items in connection with an administrative stipend for Ernest L. Majer as Acting Scientific Division Director–Earth Sciences, Lawrence Berkeley National Laboratory (LBNL):

(1) Per policy, administrative stipend of 15 percent ($28,284), to increase his base salary of $188,592, for a total annual salary of $216,876.

(2) Effective November 30, 2006 through October 31, 2007, or until the appointment of a permanent Scientific Division Director, whichever is sooner.

(3) 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 items of compensation include:

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

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

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

K. ***Stipend Extension for Jeffrey A. Blair as University Counsel in the Office of the General Counsel, Office of the President***

Approval of extension of the existing stipend for Jeffrey Blair as University Counsel in the Office of the General Counsel, Office of the President:

(1) Extend the existing administrative stipend of 41.7 percent (calculated against current salary, the stipend is $67,200) in addition to his base salary of $161,000, for a total annual salary of $228,200.

(2) Since the stipend was approved through December 31, 2006, extend the effective period to facilitate the transition of responsibilities to the newly appointed General Counsel. The stipend would cease upon the appointment of General Counsel's leadership team or on July 31, 2007, whichever occurs first.

Additional compensation and related items include:

- 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.

L. ***Stipend Extension for Debora Obley as Assistant Vice President–Budget Development and External Relations, Office of the President***

Approval of the following items in connection with the stipend extension for Debora Obley as Assistant Vice President–Budget Development and External Relations, Office of the President for additional responsibilities in the Budget Office, Office of the President:

(1) Administrative stipend of $23,100 in addition to her base salary of $154,100, for a total annual salary of $177,200.

(2) Effective February 1, 2007 through January 31, 2008 or until there is a transition to a permanent management structure, whichever is earlier.

Additional items of compensation include:

- Per policy, 3 percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

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

M. ***Salary Adjustment for John F. Cummins as Associate Chancellor–Chief of Staff, Berkeley Campus***

Approval of the following items in connection with the salary adjustment for John F. Cummins as Associate Chancellor–Chief of Staff, Berkeley campus, in recognition of the addition of responsibility for Government and Community Relations:

(1) A salary adjustment of $12,400 (7.47 percent) added to his base salary of $166,100 for a total annual salary of $178,500. This increase, in addition to his approved merit increase, results in a total increase of 10.25 percent.

(2) Effective October 1, 2006.

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, 3 percent 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.

N. ***Summer Salary for C. Ronald Huff as Dean–School of Social Ecology, Irvine Campus***

Approval of the following items in connection with the one-time additional compensation payment for C. Ronald Huff as Dean–School of Social Ecology, Irvine campus:

(1) As an exception to policy, a one-time additional compensation payment of $12,036, for total annual compensation of $178,536.

(2) This additional compensation is for 19 days of research performed in July and August 2006 and will be paid from the discretionary research funds he receives as Dean.

(3) Per policy, Mr. Huff will forfeit 19 days of his accrued vacation.

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

O. ***Salary Adjustment for James Fraser Stoddart as Director–California NanoSystems Institute, Los Angeles Campus***

Approval of the following items in connection with the salary adjustment for James Fraser Stoddart as Director–California NanoSystems Institute, Los Angeles campus:

(1) As an exception to policy, a salary adjustment of $68,900 (30.7 percent) added to his base salary of $224,400 for a total annual salary of $293,300 to maintain a Director's salary equivalent to Mr. Stoddart's adjusted faculty salary. This exception results in salary over the MSP salary grade range maximum.

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

Additional items of compensation currently include:

- Per policy, standard Pension and Health and Welfare benefits.
- Per policy, accrual of sabbatical credits as a member of faculty.

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

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

Approval of the following items in connection with the salary adjustment for Paul W. Drake as Dean–Division of Social Sciences, San Diego campus.

(1) Salary adjustment of $16,800 (8.3 percent) added to his base salary of $201,900 for a total annual salary of $218,700 to compensate Mr. Drake for the elimination of an ongoing 1/12th summer salary commitment. The previous commitment for summer salary was not consistent with current policy.

(2) Retroactive effective date of October 1, 2006.

Additional compensation and related items include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.
- Per policy, accrual of sabbatical credits as a member of the faculty.

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

Q. ***Salary Adjustment for Gabriele Wienhausen as Provost–Sixth College, San Diego Campus***

Approval of the following items in connection with the salary adjustment for Gabriele Wienhausen as Provost–Sixth College, San Diego campus:

(1) A salary adjustment of $10,800 (8.5 percent) added to her base salary of $126,400 for a total annual salary of $137,200, to establish a 2.7 percent differential between her academic appointment and her compensation as Provost.

(2) Retroactive effective date of October 1, 2006.

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, eligible for leave in lieu of sabbatical as a member of the faculty.

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

R. ***Merit and Equity Increases for Academic Appointees with Administrative Titles, San Diego Campus***

Approval of salary rates resulting from merit and equity proposals, effective October 1, 2006, for four academic appointees in administrative titles, San Diego campus, as follows:

- Associate Vice Chancellor, Undergraduate Education, Mark Appelbaum, $205,600.
- Director, San Diego Supercomputer Center, Francine Berman, $248,400.
- Associate Vice Chancellor for Academic Planning and Resources, David Miller, $207,300.
- Director, California Institute of Telecommunications and Information Technology, Larry Smarr, $280,000.

The compensation described above shall constitute the University's total commitment under the 2005-06 merit and equity increase program until modified by The Regents and shall supersede all previous oral or written commitments.

S. ***Incentive Payment for Charles F. Kennel as Vice Chancellor–Marine Sciences, Dean of the Graduate School–Marine Sciences, and Director of Scripps Institution of Oceanography, San Diego Campus***

Approval of the following items for Charles F. Kennel as Vice Chancellor–Marine Sciences, Dean of the Graduate School–Marine Sciences, and Director of Scripps Institution of Oceanography, San Diego campus:

(1) As an exception to policy, annual individual incentive payment of $9,630 (5 percent) based on a review of his accomplishments relative to the specific, measurable organizational and financial goals that had been established for the 2005-06 fiscal year by the Chancellor, as provided in his offer letter.

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, Mortgage Origination Program loan.
- Per policy, 5 percent Senior Management Supplemental Benefit Program contribution.
- As exception to policy, automobile allowance of $8,916 per year.
- Per policy, eligible for sabbatical credit.

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

T. ***Retention Increase for Bruce W. Spaulding as Senior Vice Chancellor–University Advancement and Planning, San Francisco Campus***

Approval of the following interim reslotting of the position and a retention increase for Bruce W. Spaulding as Senior Vice Chancellor–University Advancement and Planning, San Francisco campus:

(1) Reslotting to SLCG grade 111.

(2) Retention increase of $46,000 (15.1 percent) to bring his base salary from $304,000 to $350,000 (above the midpoint of the salary range for SLCG Grade 111, minimum $260,400, midpoint $334,600, maximum $408,700).

(3) Eligibility for an annual incentive award, target award percentage to be determined upon implementation of a formal program with Universitywide application. Actual award will be based on attainment of pre-established goals and objectives.

(4) Effective upon approval by The Regents.

Additional items of compensation include:

- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life

Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Per policy, annual Auto Allowance of $8,916.
- Per policy, currently participating 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.

U. ***Incentive Payment for John E. Plotts as Assistant Vice President–Finance, Office of the President***

Approval of the following items in connection with the performance incentive payment for John E. Plotts as Assistant Vice President–Finance, Office of the President:

(1) As exception to policy, a performance incentive payment of $22,270 (10 percent).

(2) Payment will be processed effective upon approval by The Regents.

(3) Continued eligibility to participate in this performance incentive program with annual awards not to exceed 10 percent of base salary determined by assessment of performance and contribution based on predetermined goals and objectives.

Additional items of compensation currently provided include:

- Annual base salary of $222,700.
- 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.

V. ***Salary Action Items Corrections–Various Campuses***

Approval of the following corrections:

(1) Andrew J. Policano, Dean–Paul Merage School of Business, Irvine campus – Change approved merit recommendation from incorrect base salary of $275,000 plus 2.5 percent merit increase resulting in merited base salary of $281,900 to corrected base salary of $281,900 plus 2.5 percent merit increase results in new base salary of $288,900.

(2) Daniel Guerrero, Director Intercollegiate Athletics, Los Angeles campus – Change approved merit recommendation from incorrect base salary of $246,800 plus 3.5 percent merit increase resulting in merited base salary of $255,400 to corrected base salary of $295,000 plus 3.5 percent merit increase resulting in new base salary of $305,300.

(3) Cristina C. Bambao, Administrative Nurse II, Medical Center, Davis campus – Change approved effective date from October 1, 2006 to September 24, 2006 to be consistent with the bi-weekly payroll schedule at the Medical Center, Davis campus.

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.

W. ***Appointment Salary for David A. Brenner, M.D., as Vice Chancellor–Health Sciences and Dean–School of Medicine, San Diego Campus***

Approval of the following items in connection with the appointment of David A. Brenner, M.D. as Vice Chancellor–Health Sciences and Dean–School of Medicine, San Diego campus:

(1) Title of Vice Chancellor–Health Sciences and Dean–School of Medicine, SLCG 113.

(2) An initial five-year term, subject to continuation based on performance review; provided that nothing in this item shall alter the at-will status of Dr. Brenner's appointment, as reflected in the terms and conditions of the University's Senior Management Personnel Policies.

(3) Annual base salary of $500,000, 100 percent time.

(4) Health Sciences Compensation Plan (HSCP) supplement applicable to Medical School Deans of $220,000.

(5) Effective date of February 1, 2007.

Additional items of compensation include:

- Per policy, $125,000 (25 percent) relocation allowance subject to a repayment requirement in the event that Dr. Brenner resigns within the first four years of employment.
- Per policy, 30 days of temporary housing and reimbursement of moving expenses.
- As an exception to policy, 2 house-hunting trips, the total number of days not to exceed 10 for Dr. Brenner and his spouse. Coach air fare, meals and lodging will be reimbursed.
- 0 percent tenured faculty position and accrual of sabbatical credits, subject to the normal academic approval process.
- Per policy, eligibility for participation in the Mortgage Origination Program loan up to $1 million.
- 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.

X. ***Promotion Increase, Title Change, and Salary Grade Change for David Odato as Executive Director–Medical Center Patient and Employee Services, San Francisco Campus***

Approval of the following items in connection with the promotion of David Odato to Executive Director–Medical Center Patient and Employee Services, San Francisco campus:

(1) Re-slotting to SLCG grade 108 (minimum $187,100 midpoint $238,200 maximum $289,300).

(2) Retention increase of $25,000 (11.7 percent) to bring his base salary from $213,200 to $238,200 (to the midpoint of the salary range minimum $187,100 midpoint $238,200 maximum $289,300).

(3) Title Change from Executive Director–Human Resources and Service Excellence to Executive Director–Patient and Employee Services.

(4) Continued eligibility for participation in the Clinical Enterprise Management Recognition Program (CEMRP) with a maximum payout of up to 20 percent of base salary ($47,640; currently participates in the CEMRP at 20 percent).

(5) Effective upon approval of The Regents.

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.

Y. ***Stipend 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 appointment of Reynaldo F. Macías as Acting Dean–Division of Social Sciences, College of Letters and Science, Los Angeles campus:

(1) An administrative stipend of 15 percent ($26,800) to increase his adjusted academic salary of $178,500 (inclusive of 2.5 summer ninths), for a total annual salary of $205,300. The current stipend as Chair will be discontinued.

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

(3) This appointment is at 100 percent time and is effective January 1, 2007 through December 31, 2007, or until the appointment of a permanent Dean–Social Sciences, whichever occurs first.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.
- Per policy, eligible for sabbatical credits.

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

Z. ***Administrative Stipend for Scott L. Waugh as Acting Executive Vice Chancellor and Provost, Los Angeles Campus***

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

(1) As an exception to policy, an administrative stipend of 41.3 percent ($79,000) to increase his current base salary of $191,500, to a total annual salary of $270,500, which is below the minimum of the salary range for the slotted acting position.

(2) Effective January 1, 2007 through December 31, 2007, or until the effective date of the appointment of a permanent Executive Vice Chancellor, whichever occurs first.

(3) If an adjustment to the base salary is made prior to the termination of this acting role, the 41.3 percent stipend will be recalculated against the new base salary. Due to the stipend exceeding 15 percent, this would also continue to be an exception to policy.

Additional compensation and related items include:

- 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.
- 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.
- 0 percent tenured faculty position and accrual of sabbatical credits.

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

AA. ***Stipend Extension for Raymond Williams as Acting Dean–A. Gary Anderson Graduate School of Management, Riverside Campus***

Approval of extension of the stipend for Raymond Williams as Acting Dean–A. Gary Anderson Graduate School of Management, Riverside campus:

(1) Compensate for 10 days (80 hours) of service as Acting Dean–A. Gary Anderson Graduate School of Management, from July 1, 2006 to July 16, 2006, upon approval of The Regents.

(2) Compensation includes $2,467.79 for 10 days of service.

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.

BB. ***Retention Increase for Jeff Tedford as Head Football Coach, Berkeley Campus***

Committee Chair Hopkinson explained that the item had been withdrawn.

In response to a comment made by Faculty Representative Oakley that it might be appropriate with respect to compensation levels to compare the University's football program to that of an Ivy League school rather than a university such as Alabama, Chancellor Birgeneau explained that Coach Tedford is ranked 23rd among college coaches and is being paid below market at UC by any standard. He emphasized that Cal's football program provides financial support that sustains smaller intercollegiate athletic programs.

Committee Chair Hopkinson reported that a structure is being developed for compensating athletic coaches that will be consistent within UC, although perhaps not in dollars paid.

CC. ***Retention Increase for M. Boone Hellmann as Associate Vice Chancellor–Facilities Design and Construction/Campus Architect, San Diego Campus***

Approval of the following items in connection with the retention of M. Boone Hellmann as Associate Vice Chancellor–Facilities Design and Construction/Campus Architect, San Diego campus:

(1) Retention increase of $23,900 (14.4 percent) to increase his total annual base salary from $166,100 to $190,000 (above the midpoint of the salary range for SLCG Grade 105, minimum $134,400, midpoint $169,600 maximum $204,700).

(2) Effective January 1, 2007, upon approval by The Regents.

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, 3 percent 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.

DD. ***Retention Increase for Christine M. Casey as Assistant Vice President–Administrative Services, Agriculture and Natural Resources, Office of the President***

Approval of the following items in connection with the retention of Christine M. Casey as Assistant Vice President–Administrative Services, Agriculture and Natural Resources, Office of the President:

(1) Retention increase of $15,500 (10.0 percent) to bring her base salary from $155,500 to $171,000 (above the midpoint of the salary range for SLCG Grade 104, minimum $120,400, midpoint $151,400, maximum $182,400).

(2) Effective upon approval by The Regents.

Additional items of compensation include:

- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability and Relocation Allowance.

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.

EE. ***Merit Increases for Athletic Coaches, Los Angeles Campus***

Approval of salary rates resulting from merit increases, effective July 1, 2006, Los Angeles campus, as follows:

(1) William Martin, Head Coach, Men's Tennis – An 11.4 percent merit increase to his base salary of $70,000, effective July 1, 2006, for new base salary of $78,000. Merit increase has already been implemented.

Total cash compensation includes:

- Base salary of $78,000.
- Imputed income value of courtesy automobile of $6,612.
- Advance on summer camp revenue of $105,600.60 and a second payment on camp revenue of $68,370.26.
- Total cash compensation results in a total of $258,582.86.

(2) Dwayne Walker, Defensive Coordinator, Football – A 13.3 percent merit increase to his base salary of $150,000, effective July 1, 2006, for a new base salary of $170,000. Merit increase has already been implemented. Total cash compensation includes:

- Base salary of $170,000.
- Guaranteed pay for services related to speaking engagements, tv/radio appearances at $100,000.
- Total cash compensation results in a total of $270,000.

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.

FF. ***Mortgage Origination Program Loan for Akhil Gupta as Professor of Anthropology, Los Angeles Campus***

Approval of a Mortgage Origination Program loan in the amount of up to $1.25 million to Akhil Gupta as Professor of Anthropology, Los Angeles campus. This loan will comply with all other normal Mortgage Origination Program parameters.

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

8. **DEFINITION OF TOTAL COMPENSATION FOR THE PURPOSE OF DEFINING THE ANNUAL REPORT ON COMPENSATION**

The President recommended that:

A. The following definition of total compensation be approved for the purpose of further defining the "Annual Report on Compensation", as recommended by the Task Force on UC Compensation, Accountability, and Transparency and adopted by The Regents under *Regents Plans for Reforms in Response to the Report of the Task Force on UC Compensation, Accountability, and Transparency* in May 2006.

B. The definitions be approved of the "Annual Report on Compensation," including the group of University employees covered by the report, the time period, and other report parameters, as follows, as recommended by the Task Force on UC Compensation, Accountability, and Transparency and adopted by the Regents in May 2006.

A. Definition of Total Compensation and Total Cash Compensation

TOTAL COMPENSATION shall be defined as:

1. All salary and other cash payments made to the employee or on behalf of the employee including but not limited to: base salary, stipends, incentive payments, bonuses, cash awards, automobile allowances, or any other cash payments that would be considered W2 income to the employee.

2. One-time payments/reimbursements made to the employee or on behalf of the employee including but not limited to: relocation allowance, temporary housing reimbursements or allowances, moving expense reimbursements, payments pursuant to post-retirement agreement, payments pursuant to severance/separation agreements, or any other reimbursements made to the employee that would be considered W2 income and are not considered business-related expenses.

3. Any benefits and perquisites including but not limited to: health and welfare benefits including retirement available to all career employees, senior manager life insurance, executive business travel insurance, executive salary continuation for disability, any home mortgage loans, senior management supplemental benefit program contributions, University provided housing, vacation and sick leave accrual, leased automobiles, post-retirement employment agreements, special or supplemental health or retirement benefits, severance or separation agreement benefits, any cash payment in

connection with any severance or separation agreement, special sabbatical or other leave arrangements, or any other benefits or perquisites provided to the employee for services rendered to the University of California.

B. Definitions and Parameters for the Annual Report on Compensation

1. Population Covered under the Annual Report on Compensation

a. This report will include the "named positions" for which The Regents retains direct authority to approve compensation, as specified in *Procedures for Setting Compensation in 2006-07 for Those Classified in the Senior Leadership Compensation Group and Other Specified Non-Faculty Employees* approved by The Regents in July 2006:

president
executive and senior vice presidents
vice presidents
associate and assistant vice presidents
the university auditor
the university controller
principal officers of the Regents
chancellors and vice chancellors
national laboratory directors and deputy directors
medical center CEOs
deans

Other positions, including the top five most highly compensated positions at each UC location, may be designated by The Regents for review and approval of compensation actions.

The Annual Report on Compensation will also include positions for those employees who are in the Senior Leadership Compensation Group (SLCG) and all non-faculty academic administrators whose cash compensation exceeds the Indexed Compensation Level (ICL), currently at $200,000, as increased in accordance with *Policies on Universitywide and Senior Leadership, and Procedures for Senior Leadership Compensation* approved by The Regents in November 2005. Compensation for the purpose of determining the ICL shall include all compensation included in item A.1. plus relocation allowances from A.2., above. This definition of compensation is consistent with and supports The Regents' current practice for determining the ICL for reviewing and approving executive compensation.

This is in accordance with the guidelines established under *Policies on Universitywide and Senior Leadership Compensation, and Procedures for Senior Leadership Compensation* and under *Procedures for Setting Compensation in 2006-07 for Those Classified in the Senior Leadership Compensation Group and Other Specified Non-Faculty Employees*.

b. Employees in one of the named positions but in an acting or interim capacity will be included in the report. Employees who serve in a named position during the reporting year but step down from that role and are no longer active in that role on December 31 of the reporting year will also be included in the report.

Although not considered a part of total compensation, and therefore not included in the Annual Report on Compensation, data will be collected and tracked on the following: spousal employment agreements as a component of hiring; housing maintenance for those who are required to reside in University housing; and administrative fund for business related expenses. This information will continue to be included in the individual action items presented to The Regents for approval.

2. Timeframe for Reporting under the Annual Report on Compensation

This report will be produced and presented to The Regents for review and approval in March of each year (or the next scheduled Regents' meeting) and include the compensation details noted above for the preceding calendar year for the population described above. Since the 2006 Annual Report on Compensation will be the first report to transition to a calendar year basis from a fiscal year basis, we will generate another separate report for calendar year 2005, to cover the gap in reporting. This report will be presented to the Regents in May 2006.

3. Compensation Elements Displayed for the Annual Report on Compensation

Data will be displayed for each person covered under this report, per the attached table.

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

9. **DEVELOPMENT OF A NEW COMPREHENSIVE POLICY FRAMEWORK AND TIMETABLE FOR THE REVIEW OF INDIVIDUAL COMPENSATION POLICIES AND PRACTICES**

It was recalled that in April 2006, the Task Force on UC Compensation, Accountability, and Transparency presented its report of findings and recommendations. The report focused on four areas: disclosure and transparency; governance and accountability; specific policies and practices; and competitive compensation.

In response to the Task Force findings, The Regents approved the following recommendations in May 2006:

> Create Policy Framework & Timetable: All compensation policies and procedures will be examined, a new comprehensive framework created, and new policies and procedures developed. A timetable for these will be established as part of the framework, and individual items will come forward for approval in accordance with this framework and timetable.
>
> Retain Consultant: An external consultant will be required to assist in preparing the overall framework and individual policies and procedures.

Mr. Bob Miller, of Mercer Human Resource Consulting, which has been engaged, as a result of a competitive RFP process, to assist the University with the development of a new comprehensive policy framework and the revision of policies and practices, reported that the objectives are to clarify the governance structure for the compensation policies; ensure that the compensation philosophy is understood; address how policies get implemented and how actions taken under the policies are reported and compliance is monitored and enforced; and ensure that established policies are adhered to and administered consistently. An appropriate balance needs to be determined between the need for systemwide consistency and flexibility sufficient to meet local needs at the campuses. The project starts with an understanding of the University's mission of teaching, research, and public service. Attracting and retaining employees to fulfill its mission has implications for the strategies the University needs to employ with respect to its people. To address these issues, four interrelated workstreams were identified that are underpinned by an understream of project management to ensure timeliness and completeness of the consultant's work.

Mr. Bob Schuetz, who has the lead role in managing the project, described the policy framework. Its elements include the governance structure as it relates to clarifying responsibility and authority for initiating review and approval of compensation-related policies. Effective ongoing policy administration requires an effective infrastructure designed to ensure consistency, easy access to the policies, and an efficient review and revision process. Understanding the current governance structure and how it operates at the Office of the President and the campuses will be critical. Once the existing governance model has been identified, it will be used as a baseline to develop overall guiding principles upon which a future governance model for compensation-related policies can be defined.

Mr. Schuetz reported that a next step will be the definition and validation of a proposed governance model going forward, based on the guiding principles. Also important to the effort will be the establishment of a monitoring and reporting framework that will allow measurement of the effectiveness of the new governance model on an ongoing basis. Effective infrastructure in support of a new governance model is critical to success. Technology enables advances in policy maintenance, searching, and access. Identifying a viable, reliable technology platform to provide policy content management will be a major component of this review. A key component of the policy content work beyond the basic inventory, cataloging, and prioritizing will be the benchmarking of current and proposed policies with other organizations in the University's comparator group. Inclusion of the appropriate stakeholder groups in this part of the study will be essential, as will a changed management effort, communication, and training. Establishing the overall environment for compliance going forward also will be essential.

Mr. Miller discussed the initial project steps and the associated timeline. He reported that work on the policy framework will begin with developing, socializing, and gaining concurrence on the guiding principles and then reviewing and developing the revised governance structure. From that will flow decision authority matrices and implementation matrices that spell out the roles of the various entities and positions in executing policy. Simultaneously, information will be gathered from the campuses, laboratories, and medical centers on their current practices for determining what gets approved. The information will be catalogued and a taxonomy of the policies created to help set priorities and become the basis for managing the ongoing project. The initial focus will be on those policies that affect the Senior Management Group. Then a few of the highest priority projects will be run through the policy framework to fine tune it. Following that, the full-blown policy review process will be launched. During this phase, Mercer will continue project management and communication and change management work to help create a mindset of compliance.

Mr. Miller reported that the governance and policy infrastructure work will be completed in time for review at the May 2007 meeting. The majority of the work that involves reviewing and rewriting policies is expected to be completed in 2007. At the March meeting, the guiding principles will be reviewed.

Regent Marcus commented that trying to design a perfect system is impossible. While transparency is important, University administration must ensure that the resulting system can be administrated simply, it is clear, and employees understand it. It needs to be brought to a level that is understandable by all or it will break down.

Chairman Parsky asked about the timing for a fully developed plan. Mr. Miller responded that the governance structure and the policy infrastructure, which would include the templates and the process for approving policy, will be ready for review in May. In the meantime, the policies will be inventoried and priorities set.

Regent Ruiz asked whether, when the project is completed, there will be a recommendation for the University to have a structure to continue the policies, guidelines, and procedures. Mr. Schuetz responded that the infrastructure piece will become the engine to keep the model on track. Associate Vice President Boyette added that in the project plan, the work is being done jointly between Mercer, the campuses, the Office of the President, and The Regents.

10. **UPDATE ON UNIVERSITY OF CALIFORNIA RETIREMENT PLAN/LOS ALAMOS NATIONAL SECURITY, LLC DEFINED BENEFIT PLAN ASSET TRANSFER**

It was recalled that in accordance with the terms of the University's former management contract for Los Alamos National Laboratory (LANL) (Contract W-7405-ENG-36 or Contract) governing the transition of LANL to a successor contractor, the University is required to transfer University of California Retirement Plan (UCRP) assets at a rate sufficient to meet the cash flow requirements of the Los Alamos National Security, LLD (LANS) Plan until the terms of the final transfer of assets and liabilities to the LANS Plan are resolved with the Department of Energy/National Nuclear Security Administration (DOE/NNSA) (Final Transfer). Consequently, at the meeting of May 18, 2006, The Regents authorized the transfer of UCRP assets to the LANS Plan on a monthly basis, but only to the extent necessary to satisfy the plan's liquidity needs. Any UCRP assets transferred, and earnings at the agreed-upon rate, were to be accounted for in the Final Transfer.

Following the May Regents meeting, LANS reported that approximately 10,200 active UCRP members employed at LANL had accepted an employment offer from LANS, and approximately 6,500 of those had elected to participate in the LANS Plan, which is designed to be substantially equivalent to UCRP. The actuarial accrued liability for those members electing to participate in the LANS Plan has been estimated by The Regents' actuary, The Segal Company, to be approximately $1.4 billion; however, the liability for the LANS Plan members as determined under the LANS Plan provisions and the actuarial assumptions and methods used by the LANS Plan's actuary will almost certainly be a different amount, because that amount will be determined under different legal requirements established in the Employee Retirement Income Security Act of 1974 (ERISA) that apply to defined benefit plans sponsored by non-governmental entities.

At the September 21, 2006 meeting, at the request of the DOE/NNSA, The Regents authorized an amendment to the methodology approved in May for determining the amount of funds to be transferred from UCRP to the LANS Plan prior to the Final Transfer to accommodate the ongoing administrative needs of the LANS Plan. It was expected that the transfers would facilitate the timely payment of benefits to former UC employees and their beneficiaries who became entitled to benefits from the LANS Plan prior to the Final

Transfer. The changes also were intended to assist the fiduciaries of the LANS Plan to secure more favorable fee arrangements with service providers as well as cover other administrative and related costs payable from the LANS Plan trust. To that end, The Regents authorized an initial transfer of UCRP assets to the LANS Plan as a single sum not to exceed $10 million and, to the extent necessary to address the ongoing administrative needs of the LANS Plan, supplemental interim transfers not to exceed a combined total of $50 million.

Subsequent to the September meeting, LANS reported that, based on advice by its legal counsel, it would not accept assets on a cash flow basis as authorized by The Regents and consistent with the University's obligations under the Contract due to the uncertainties that such transfers might introduce regarding the tax-qualified status of the LANS Plan. Instead, LANS stated, if a LANS Plan member announced his or her intent to retire, the LANS Plan would need to receive the present value of the member's entire accrued benefit as of May 31, 2006, and any assets transferred to fund that benefit could be used only to pay the benefits of the identified member. Since that was outside the scope of the authority delegated by The Regents and the terms of the Contract, no assets have been transferred to date. Also, the University's internal and external counsel have advised against proceeding with the present value transfers until the Internal Revenue Service (IRS) provides a clearer indication of its position on the rules that will apply to the Final Transfer.

Interim Authority Item

LANS recently reported that two LANS Plan members have applied to retire effective December 1, 2006 and that several more members are expected to retire in the following months. In order to pay benefits to retiring LANS Plan members and survivors of deceased members before the Final Transfer, the DOE/NNSA requested that the University consider amending UCRP so that benefits could be paid from UCRP to or on behalf of a LANS Plan Member to the extent attributable to service with UC as of May 31, 2006. The part of the benefit attributable to service with LANS from June 1, 2006 forward would be paid from the LANS Plan. In order to ensure that the LANS retirees could be paid on January 1, 2007, the DOE/NNSA's requested changes were presented and approved under the Regental Policy on Interim Authority effective as of December 31, 2006. Thus, UCRP now permits such payments, provided the retiree (or the retiree's beneficiary or alternate payee) elects payment in one of the distribution forms available under the LANS Plan and the amount, form, and start date are memorialized in the LANL appendix to UCRP. In return, the DOE/NNSA has confirmed in writing that UC's obligations under the Contract with respect to meeting the LANS Plan's cash flow needs have been modified to reflect the interim payment arrangement; costs, expenses, penalties and other losses incurred in connection with such payments will be treated as reimbursable costs; UCRP will receive credit for all such payments, and related earnings, in calculating the Final Transfer amount; the DOE/NNSA will use its best efforts complete the Final Transfer as quickly as possible; and the UCRP plan administrator reserves the right to terminate the interim payment arrangement if the plan administrator determines the arrangement imposes an undue administrative burden on UCRP.

Proposal to Accomplish the Final Transfer

The UC team led by Associate Vice President Boyette, Human Resources and Benefits, continues to hold regularly scheduled discussions by telephone or in person with the DOE/NNSA team led by Roberto Archuleta regarding the appropriate amount of assets and liabilities to be transferred to the LANS Plan and related matters. The legal issues presented by the transaction are complex because the transfer will require moving assets and liabilities from a governmental plan, which is subject to provisions in the Internal Revenue Code and California law, to a private employer plan governed by the extensive statutory regime established by ERISA. Because of the lack of guidance on public-to-private plan transfers and the significant fiduciary obligations at stake, the UC-DOE/NNSA teams have agreed to seek guidance on the structure of the transaction from key regulatory agencies, including the IRS, the Department of Labor, and the Pension Benefit Guaranty Corporation, so that the transfer can be accomplished as quickly as possible. An early resolution will help LANS satisfy the LANS Plan's minimum funding obligations under ERISA and thereby avoid significant economic penalties. UCRP's interests will be served by having the LANS 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.

The teams have targeted April 2, 2007 as the proposed date for the Final Transfer. In order to meet that date, UC and the DOE/NNSA will need to resolve as quickly as possible the amount of assets and liabilities to be transferred to the LANS Plan and a number of related issues. The teams agreed to make their best efforts to come to agreement in January on the proposed methodology for determining the asset/liability split for the Final Transfer so that the University will have time to consult with faculty leadership regarding the specifics and both teams can discuss the proposal with their various constituencies. Such discussions will also cover the following elements:

- The Contract formula states that UCRP will retain sufficient assets to cover all liabilities associated with the benefits of individuals employed at LANL while under UC management who retired or became inactive UCRP members prior to June 1, 2006 (Retained Segment). That formula will be followed to the maximum extent possible, but adjusted as may be necessary to satisfy concerns of the regulators (i.e., the IRS, the Department of Labor, and the Pension Benefit Guaranty Corporation).

- The DOE/NNSA will confirm its existing obligation to fund any shortfalls attributable to the Retained Segment in clear and unambiguous terms.

- The Retained Segment will remain in UCRP, provided, however, that commitment is co-extensive with the DOE/NNSA's commitment to be financially responsible for maintaining the funded status of the Retained Segment. Should DOE/NNSA be either unable or unwilling to meet its financial responsibility, UC will take whatever actions with respect to the Retained Segment that are prudent and necessary with respect to all UCRP members.

- The Final Transfer is anticipated to take place no later than April 2, 2007, subject to potential adjustment to reflect regulatory requirements identified subsequent to the transfer.

- The Final Transfer will be in-kind to the maximum extent practicable in order to minimize transaction costs and will mirror the UCRP portfolio, as determined by the Office of the Treasurer, at the time of transfer.

- UC will provide an annual actuarial valuation of the Retained Segment at the DOE/NNSA expense.

- The agreement will be subject to regulatory review, and the final amounts of transfer, and enforceability of terms, are subject to adjustment to conform to the orders of such regulatory entities, or in the event of litigation, to the orders of a court of competent jurisdiction.

Next Steps

It is expected that the proposal for the Final Transfer will be presented to the Committee on Compensation for action at the March 2007 meeting of The Regents. The Office of the Treasurer and Associate Vice President Boyette, Human Resources and Benefits, will continue to engage in consultation with faculty leadership and meet with the various UC constituencies to discuss the elements of the proposal to implement the Final Transfer. UC 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.

Faculty Representative Oakley commented that this was perhaps the most complicated pension transfer arrangement in the history of American pension law. He recalled statements made in public comment indicating skepticism about the integrity of the transfer. He reported that, as chair of the Academic Council Special Committee on the National Laboratories and as former chair of the Committee on Faculty Welfare, he could vouch for the fact that this transaction is being undertaken with exquisite care and that the faculty support it. He asked the Board to encourage the Department of Energy to meet the projected April 2 date for completion of the transfer.

Chairman Parsky emphasized that a condition for agreeing to the transfer is a two-part commitment from the government to funding any underfunded status in the future and to making clear the process for providing that funding. Associate Vice President Boyette added that, while other contractors with the DOE are subject to the private sector pension law which prescribes how and when contributions must be made to pension plans, the University is subject to governmental requirements; therefore, it is critical that the University be in the same protected status as other contractors by knowing when and how it will get the funding needed to protect its participants.

11. **AMENDMENT OF THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS) PLANS TO EXPAND ELIGIBLE ROLLOVER PROVISIONS, CONFORM ALL UCRS PLAN FIDUCIARY OVERSIGHT STRUCTURE DEFINITIONS AND CLARIFY AND CONFORM OTHER TECHNICAL PLAN PROVISIONS**

The President recommended the approval of amendments to the UCRS Plans to provide for the following:

A. Allow non-spouse beneficiaries to roll over eligible distributions from UCRS plans to eligible IRAs, effective for distributions made after December 31, 2006 as provided for in the Pension Protection Act of 2006 (PPA).

B. Expand provisions for rollovers of after-tax contributions from qualified plans to eligible Retirement Savings Program plans, effective for distributions made after December 31, 2006 as provided for in the PPA.

C. Allow direct rollovers of eligible distributions from UCRS plans to Roth IRAs, effective for distributions after December 31, 2007 as provided for in the PPA.

D. Conform and clarify the authority of the Plan Administrator to adopt UCRS plan amendments to comply with mandatory changes in California law consistent with the Plan Administrator's current authority to adopt amendments to comply with changes in Federal law.

E. Clarify the scope of the Plan Administrator's authority to correct errors in the administration of the UCRS plans to achieve equitable resolutions, with concurrence of the Office of General Counsel, and the extent to which the Plan Administrator may rely on information furnished by third parties.

F. Clarify the fiduciary oversight of The Regents, the Office of the Treasurer and the Plan Administrator with respect to the PERS Plus 5 Plan and 415(m) Plan. The proposed modification is similar to the clarifications previously approved by The Regents in May 2006 with respect to UCRP and in March 2005 with respect to the Retirement Savings Program plans.

G. Conform the claims and claims review procedures in the PERS Plus 5 Plan and 415(m) Plan to those of the other UCRS plans.

H. Conform the UC PERS Plus 5 Plan definition of "actuarially equivalent" for the purpose of projecting costs and liabilities to current practice and to the UCRP definition, effective for the July 1, 2007 valuation report.

I. Delegate authority to the Plan Administrator to implement these plan amendments.

Rollovers

It was recalled that in August 2006 President Bush signed the PPA into law. It has been described as the most significant pension legislation in the last 30 years and is over 900 pages long. The PPA expands the eligible rollover distribution provisions in three significant ways, all beneficial to University of California faculty and staff and their beneficiaries. The PPA provision that became effective almost immediately allows non-spouse beneficiaries to roll over lump sum death distributions from eligible retirement plans to eligible IRAs, effective for distributions made after December 31, 2006. Thus, all non-spouse beneficiaries, including domestic partners, children, other family members, and all other individual beneficiaries who are not surviving legal spouses, could elect to roll over lump sum death benefits, thereby deferring taxes. Currently, only spousal beneficiaries have this option. Although not entirely clear under the language of the PPA, University counsel has advised that it is likely that guidance from the Internal Revenue Service (IRS), which may not be issued for some time, will confirm that the non-spouse beneficiary rollover provision is required in order to preserve the tax-qualified status of a plan. Based on this advice, and consistent with Plan Administrator's authority to amend the UCRS plans to conform to changes in federal law, the Plan Administrator amended the plans effective for distributions made after December 31, 2006 for the benefit of any beneficiaries receiving distributions in early January. The Regents' ratification retroactive to January 1, 2007 is requested in case the IRS determines the decision that the non-spouse beneficiary rollover is optional rather than mandatory. The two optional rollover amendments allowed under the PPA that are recommended would expand the Retirement Savings Program plans that can accept rollovers of after-tax contributions from qualified plans (effective for rollovers after December 31, 2006) and allow direct rollovers of eligible distributions from UCRS plans to Roth IRAs (effective for distributions after December 31, 2007).

Clarify Fiduciary Oversight

To conform all UCRS plans, it is recommended that the UC PERS Plus 5 Plan and the 415(m) Plan be amended to clarify the fiduciary oversight of The Regents, the Office of the Treasurer, and the Plan Administrator. Similar amendments were made to UCRP in May 2006 and to the Retirement Savings Program plans in March 2005.

The UC PERS Plus 5 Plan provides supplemental benefits to UC-PERS members similar to those provided to UCRP members who retired under the Voluntary Early Retirement Incentive Programs offered in the early 1990s. The 415(m) Plan restores UCRP benefits that are limited by Section 415(b) of the Internal Revenue Code.

Plan Administration

Approval is also requested to amend the UCRS plans to clarify the authority of the Plan Administrator to adopt UCRS plan amendments to comply with mandated changes in California law, which would be consistent with the Plan Administrator's current authority to adopt amendments to comply with required changes in federal law. The proposed change will facilitate timely compliance, as evidenced in the UCRS plan documents, with changes required by State law, such as the recent changes in the California Family Code regarding dissolutions of registered domestic partnerships.

In addition, amendments are requested to clarify the Plan Administrator's authority to correct errors in the administration of the UCRS plans to achieve equitable resolutions, with concurrence of the Office of General Counsel, and the extent to which the Plan Administrator may rely on information furnished by third parties, to conform the claims and claims review procedures for the PERS Plus 5 Plan and 415(m) Plan with those of the other UCRS plans and to conform the UC PERS Plus 5 Plan definition of "actuarially equivalent" for the purpose of projecting costs and liabilities to current practice, and to the UCRP definition effective for the July 1, 2007 valuation report.

Cost

The Consulting Actuary has indicated that there would be no cost to implement any of the proposed amendments with the exception of the recommendation to conform the PERS Plus 5 Plan actuarial assumptions relating to mortality to those used for UCRP. A small increase in actuarial accrued liability for the PERS Plus 5 Plan would be expected for the July 1, 2007 valuation report using the updated 1994 Group Annuity Reserving Mortality Table (the same table that is currently used for UCRP). There are currently 773 PERS Plus 5 Plan members; the current funded status of the PERS Plus 5 Plan is 177 percent.

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

12. **APPROVAL OF INTERIM POLICY ON OUTSIDE PROFESSIONAL ACTIVITIES FOR UNIVERSITY OFFICERS AND DESIGNATED STAFF**

The President recommended approval of the following interim modification to the Presidential Policy on Outside Professional Activities for University Officers and Designated Staff (Policy) consistent with the recommendations of the Task Force on UC Compensation, Accountability and Transparency as follows:

A. This interim policy shall apply to all University employees who are members of the Senior Management Group or who are Designated Officers of the University, hereafter referred to as "Designated Employees."

B. Service on a for-profit board that is not an entity of the University of California, for which the Designated Employee receives compensation and for which the

Designated Employee has governance responsibilities, herein after referred to as the Designated Board, shall not exceed three such Designated Boards unless approved in advance and in writing by the Chair of the Compensation Committee of The Regents and the President.

C. Any such service on any Board including Designated Board(s) shall not negatively impact any employee's, including any Designated Employee's, ability to perform their duties and responsibilities, nor result in any potential conflict of interest, related to their University of California position(s).

D. The time required by the Designated Employee to perform their obligations on (a) Designated Board(s) shall occur during non-University business hours or the Designated Employee shall utilize their vacation hours.

E. All Designated Employees shall obtain prior written approval to serve on any Board, including (a) Designated Board(s), from their immediate supervisor.

F. Board Service in Excess of Three

(1) For those Designated Employees who currently serve on more than three Designated Boards, those individuals shall notify The President of the University of such service and the Designated Boards upon which they serve, and shall divest themselves of those Designated Boards in excess of three such Designated Boards by December 31, 2007.

(2) A Designated Employee who currently exceeds the limit set forth in paragraph (2) above and who desires to continue to exceed this limit after December 31, 2007, shall obtain prior approval from the Chair of the Compensation Committee of The Regents and the President prior to December 31, 2007 for such additional Designated Board service. Consideration shall be given to the circumstances surrounding the undertaking of service on any Designated Board in excess of three in determining the ability of the Designated Employee to continue such service.

This modification will become effective immediately and will stay in effect until implementation of a revised permanent policy which is currently under systemwide review.

In the event a conflict arises between this modification and current policies and/or guidelines, including policies relating to faculty, the interim provision shall prevail.

Committee Chair Hopkinson emphasized that the policy is intended to be temporary. There will be collaboration with the affected parties to restructure it more completely. Also, item (4) is not intended as a policy to require that vacation time be used for incidental activities that would occur related to the designated Board during business hours.

President Dynes commented that the faculty and administrators bring value to the University through outside activities. He believed it was not the number of compensated boards that was important but rather whether the time and effort spent on them could result in a conflict of commitment.

Regent Schreiner stated that he had seen no evidence of a problem that needs to be remedied; no evidence that senior management has been unable to perform their duties as a result of excessive board service. He believed that the proposal ignores the significant benefits that inure to the University as a result of board service, particularly at the level of chancellor. He was disturbed that a university known for its academic and scientific rigor would consider adopting a policy that limits key personnel in a paternalistic manner without empirical evidence to support such limits. Also, he was concerned about the effect such a rigid policy could have on recruiting, corporate philanthropy, and employees who had relied on prior policy.

In response to questions asked by Regent Coombs, Committee Chair Hopkinson reported that the policy in effect requires approval of any board service by the person's supervisor, and this continues in the new policy. The additional requirement is that for-profit boards with governance responsibility and compensation be limited to three. Executive Vice President Darling added that the proposed policy is comparable to that of the University's comparison institutions.

Regent Kozberg recalled that the UC Task Force on Compensation, Accountability, and Transparency found that across university campuses most boards approved the activities of their executives and were aware of the potential for conflicts of commitment and conflictive interest concerning both for-profit and not-for-profit boards. An active member on for-profit boards is likely to spend a great deal of time on its activities. She noted that the proposed policy has flexibility and is only a starting point.

Faculty Representative Oakley recalled that recommendation of the UC Task Force concerning board participation had been less flexible. He believed that the only reason a supervisor would deny a request to serve on a board would be based on a concern that the person could become overcommitted.

Executive Vice President Darling recalled that there are only three individuals at the University who would have exceeded the proposed threshold for outside activities.

Regent Moores asked whether the policy would cover employees who were hired under the previous policy. Committee Chair Hopkinson responded that, at the end of the year, someone who still desires to serve on more than three boards may request approval from his or her supervisor to continue to do so. Such approval will consider the fact that there may have been prior approvals. Regent Moores maintained that the proposal was too narrow.

Regent Schilling commented that there was a big difference in the level of responsibility for service on publicly traded versus private companies and there should be a distinction made in the policy. Regent Hopkinson responded that in the next few months the aspects of the recommendations of the Task Force not covered under this recommendation that are not restricted under the proposal will be reviewed. Regent Schilling indicated a reluctance to pass judgment on whether an individual were responsible enough to make the appropriate decision concerning board participation.

Regent Preuss also expressed concern about the proposal, which addresses a specific set of sophisticated employees and their supervisors. He believed the requirement of employees at this level should be restricted to holding them accountable for doing their job well. He objected to what he viewed as arbitrary numerical limitations, which may harm recruiting efforts.

Chairman Parsky believed that the subject was an important one for the Board to address. What has been outlined is an attempt to respond to the recommendation of the Task Force that may be revised later. There is a mechanism built into the proposal for supervisors to make adjustments. He did not agree that the proposal was overly rigid. In an academic institution, many supervisors do not have the requisite private sector experience to determine the level of responsibilities that go with serving on a board, the time commitment it takes, and, especially for public companies, the liability that attaches if the person shirks his or her responsibility. He believed The Regents should offer guidance on the issue. He emphasized that, under the proposal, legal commitments that were made by the President or a supervisor must be honored.

Regent Blum agreed that the issue deserved the Board's attention, but he was hopeful that the final policy not be too rigid. He believed it was possible to gauge how much time would be involved for service on individual boards.

Regent Lansing acknowledged the importance of this issue. She found the proposal to be reasonable in that it allowed for exceptions and it is interim. The Chancellors with whom she had discussed the proposal had indicated that a three-board limit was acceptable.

President Dynes stressed that there is a spectrum of outside activities that has been scrutinized. The University's policy on such service is relatively unclear. He supported the proposal as a reasonable step.

Committee Chair Hopkinson emphasized that approval authority for a designated employee to serve on more than three boards would rest with the President and the Chair of the Committee on Compensation, not the full Board. Regent Moores believed that the decision should be solely the President's.

Regent Schreiner believed that the interests of transparency and accountability were served appropriately by the third and fifth paragraphs of the proposal; that board service shall not be detrimental to the Senior Management Group members' job responsibilities and that any board service shall be approved by the person's supervisor. He maintained that the numerical limits were arbitrary and were demeaning to the people covered by the policy. Dropping the numerical limit would make providing for exceptions unnecessary.

Committee Chair Hopkinson believed that the way in which the resolution had been structured was flexible and was intended to provide guidance. She viewed the three-board limit as reasonable. She observed that during this year any person may continue to serve on more than three boards without further approval.

Regent Moores moved an amendment to the item – the removal of the sixth paragraph, which is under the heading Board Service in Excess of Three.

Chairman Parsky noted that the second part of the sixth paragraph is intended to assure that consideration will be given to the circumstances surrounding any undertaking of service in excess of three in determining the ability of the employee to continue such service. He believed that adoption of the proposal as an interim action had merit as an indication of The Regents' acknowledgment of the importance of the subject. The proposal is a guideline for the future.

Regent Moores withdrew his motion.

Upon motion duly made and seconded, the President's recommendation was approved, Regents Coombs, Dynes, Hopkinson, Parsky, Varner, and Wachter (6) voting "aye," and Regents Moores and Schilling (2) voting "nay."

The meeting adjourned at 10:45 a.m.

Attest:

Acting Secretary