The Regents of the University of California

COMMITTEE ON COMPENSATION
March 15, 2007

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

Members present: Regents Blum, Dynes, Hopkinson, Moores, Parsky, and Schilling; Advisory members Brewer and Oakley

In attendance: Regents De La Peña, Island, Johnson, Ledesma, and Ruiz, Regent-designate Bugay, Faculty Representative Brown, Acting Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Hume, Executive Vice President Darling, Vice President Sakaki, Chancellors Birgeneau, Córdova, Drake, Fox, Kang, Vanderhoef, and Yang, Acting Chancellor Blumenthal, and Recording Secretary Bryan

The meeting convened at 10:20 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, for this date and time, to run concurrently with the regularly scheduled meeting, for the purpose of acting on compensation items.

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

Upon motion duly made and seconded, the minutes of the meeting of January 18, 2007 were approved.

3. **REPORT FROM REGENTS ONLY SESSION ON CRITERIA FOR CORRECTIVE ACTIONS FOR ADMINISTRATORS WHO AUTHORIZED COMPENSATION IDENTIFIED IN AUDIT FINDINGS AND MANAGEMENT REVIEWS**

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

Approval of revisions to the Guidelines for Corrective Actions Related to Compensation Practices, originally approved by The Regents in November 2006, as shown on Attachment 1. The Guidelines provide for appropriate treatment of administrators who had responsibility for actions associated with the compensation and related matters identified in the audits and management reviews. The revisions proposed are intended to clarify and enhance the specificity of the corrective actions that will be recommended for each Guideline category.

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 ON CORRECTIVE ACTIONS FOR ADMINISTRATORS WHO AUTHORIZED COMPENSATION IDENTIFIED IN AUDIT FINDINGS AND MANAGEMENT REVIEWS**

The Committee forwarded for discussion the following from its March 13 Regents Only Session:

A. Universitywide Corrective Action Plan

Approval of the Universitywide Corrective Action Plan as shown in Attachment 2. This Plan covers broad systemic issues identified in the audits and management reviews that were not limited to single actions or locations. This Plan will be issued, managed, and overseen by the Office of the President. The Plan addresses systemwide policy violations in the areas of vacation accrual, honoraria, automobile allowances, temporary housing and the Senior Management Severance Pay Plan (now the Senior Management Supplemental Benefit Program), and contains provisions for appropriate communication, training, reporting, and compliance mechanisms. Under this Plan, the Associate Vice President–Human Resources and Benefits (under delegated authority from the President) will be responsible for oversight of the implementation of the Universitywide Corrective Action Plan, and will be accountable to report to The Regents as to progress on the Plan prior to the next regular merit salary review cycle in fall 2007. In addition, the Senior Vice President–Chief Audit and Compliance Officer will ensure that these issues are included appropriately in compliance programs and annual audit activities.

B. Campus/Laboratory Corrective Action Plans

Approval of a plan to have each Chancellor/Laboratory Director prepare a Corrective Action Plan for those items which result from deficiencies in policies related to each respective campus/laboratory. These plans, referred to as Campus/Laboratory Corrective Action Plans, will be reviewed and recommended by the President for approval by The Regents. The Associate Vice President–Human Resources and Benefits (under delegated authority from the President) will be responsible for oversight of the implementation of the Campus/Laboratory Corrective Action Plans. The Chancellors/Lab Directors will be responsible for reporting to the President and The Regents on actions taken pursuant to the Campus/Laboratory Corrective Action Plans prior to the next regular merit salary review cycle in fall 2007.

C. Regents Corrective Action Plan

Approval of the continued implementation of a series of actions under the oversight of the Committee on Compensation which constitutes the Regents Corrective Action Plan. These actions have been taken to ensure the proper oversight of and compliance with Regents and University policies on compensation.

5. **REPORT FROM REGENTS ONLY SESSION ON RECOMMENDED COMPENSATION FOR RECIPIENTS IDENTIFIED IN AUDIT FINDINGS AND MANAGEMENT REVIEWS**

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

Approval of the proposed compensation and personnel actions for employees as shown on Attachment 3, which include corrective actions related to matters identified in audits conducted by PricewaterhouseCoopers, the Bureau of State Audits and the University Auditor and other management reviews. These actions are proposed in accordance with the previously approved Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews.

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 ON APPROVAL TO USE FEE EARNED BY THE UNIVERSITY FOR PERFORMANCE INCENTIVE PAYMENTS FOR UC-DESIGNATED KEY PERSONNEL AT LOS ALAMOS NATIONAL SECURITY, LLC**

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

Approval of the performance incentive bonus amounts as well as approval to fund the full amount of the bonuses from the fee earned by the University for the period June 1, 2006 through September 30, 2006. The total amount of the bonuses, for five UC-designated key personnel at Los Alamos National Security LLC, is $62,897.

The unreimbursed incentives payment described above shall constitute the University's total commitment under its respective program for those individuals until modified by The Regents and shall supersede all previous oral or written commitments.

Regent Parsky commented that he expected that the amount of the fee earned overall during the next fiscal year would be reported to the Committee with a description of how it was earned and spent and how it had supported the advancement of science.

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

7. **REPORT FROM REGENTS ONLY SESSION ON CHANGE IN TITLE AND SLOTTING FOR THE POSITION OF VICE PROVOST–ACADEMIC PERSONNEL, OFFICE OF THE PRESIDENT**

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

Approval of the following items in connection with the change in title and slotting of the position in recognition of additional responsibilities of the Vice Provost–Academic Personnel to allow recruitment to commence:

A. Title Change of a Senior Management Group position from Assistant Vice President–Academic Advancement to Vice Provost–Academic Personnel.

B. Approval of slotting of the position, Vice Provost–Academic Personnel, at SLCG Grade 107, range minimum $167,600, midpoint $212,700, maximum $257,800, based on recommendation from Mercer.

C. Effective immediately upon approval by The Regents.

It was recalled that the title change and slotting as described establishes the grade and salary range for the University to begin recruitment efforts. The total compensation, terms, and conditions for the successful candidate will be presented to The Regents for approval, as required under Policies on Universitywide and Senior Leadership Compensation, and Procedures for Senior Leadership Compensation, as amended by The Regents in July 2006.

Associate Vice President Boyette noted that Mercer Human Resource will review the slotting of the position to determine whether it may be appropriate to move it to a higher level.

Regent Garamendi noted the significant marginal cost increase at the Office of the President as a result of additional high-level positions and increases in salaries and benefits. Provost Hume acknowledged his concern about the cost of administrative positions but emphasized that this is not an additional position but a replacement for an existing position and was slotted at a level advised by Mercer that reflects accurately the market for positions as they have been described and defined. Associate Vice President Boyette reported that the previous incumbent was an Assistant Vice President–Academic Advancement, which was slotted at Grade 106 with a midpoint of $189,900 versus the current slotting of Grade 107 with a midpoint of $212,700.

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

8. **REPORT FROM REGENTS ONLY SESSION ON TOTAL COMPENSATION FOR SECRETARY AND CHIEF OF STAFF TO THE REGENTS**

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

A. That an annual salary of $225,000 be approved, along with the additional compensation related items listed below, for Diane M. Griffiths as Secretary and Chief of Staff to The Regents, 100 percent.

B. Ms. Griffiths' start date will be on or about April 1, 2007. If Ms. Griffiths needs to delay her start date (at the request of the Speaker of the Assembly), The Regents will be advised and approval will be requested from the Chair of the Compensation Committee and the Chairman of the Board of Regents.

C. Per policy, relocation of household effects.

D. 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 Ms. Griffiths from her current location to Oakland.

E. As exception to policy, reimbursement of up to $10,000 of actual costs associated with the storage of household belongings during Ms. Griffiths' transition to the University of California.

F. As an exception to policy, provide credit for Ms. Griffiths' more than 20 years of service with the State to allow for immediate eligibility upon her retirement from UC for the full University contribution for retiree health benefits. Although CalPers and UC have a reciprocity agreement for retirement pension benefits, retiree health benefits are not addressed. Normally, service of 20 years is required to qualify for full UC contribution to retiree medical. The actuarial value of providing this benefit is estimated at between $69,000 and $99,000, depending on when Ms. Griffiths retires.

G. As an exception to policy, provide credit for Ms. Griffiths' years of service with the State to allow immediate eligibility for the senior management disability benefits. Under policy, Ms. Griffiths would need to fulfill the five-year waiting period. This benefit provides up to 12 months of full salary, subject to the terms and conditions of the policy. This exception is requested to provide a replacement level of benefit equal to the employer-provided disability benefit to which she is entitled under the State program.

Additional compensation and related items include:

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

- Per policy, an automobile allowance of $8,916 per annum.

- Per policy, participation in the Mortgage Origination Loan Program (MOP), available to be exercised within a period not to exceed 24 months from date of employment.

- Per policy, Administrative Fund for official entertainment and other purposes permitted by University policy.

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

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.

Regent Parsky commented that Ms. Griffith brings a wealth of experience and skill that will be invaluable to the Regents. The position will report directly to The Regents and be responsible for coordinating, planning, and facilitating all of the work of the Board. It will facilitate governance with respect to long-range planning and will conduct independent research and analysis as requested by Regents in connection with carrying out their responsibilities for Committees. The Office's administrative staff will be augmented with a policy-oriented staff. Consistent with that, this position will carry with it several additional staff positions under the guidance of the Chairman.

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

9. **REPORT FROM REGENTS ONLY SESSION ON STIPEND INCREASE FOR ACTING SECRETARY OF THE REGENTS**

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

Approval of the application of a previously approved administrative stipend to the approved October 1, 2006 merited base salary for Anne L. Shaw as Acting Secretary of The Regents:

A. Administrative stipend of $15,400 (15 percent) in addition to her base salary of $102,440, for a total annual salary of $117,840.

B. This appointment is at 100 percent time, and this changed calculation is effective October 1, 2006 and continuing until a permanent appointment is made and including a reasonable period thereafter for assisting in the transition of responsibilities to the permanent appointment.

C. 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 based salary.

Additional items of compensation include:

- Standard Pension and Health and Welfare benefits

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

Committee Chair Hopkinson noted that during the past year four of the seven staff members in the Office of the Secretary had retired, leaving the Acting Secretary and remaining staff with a much heavier workload. She suggested that a way be found to reward them appropriately.

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

10. REPORT FROM CLOSED SESSION ON INDIVIDUAL SALARY ITEMS

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

A. ***Stipend for Fiona M. Doyle as Acting Dean–College of Engineering, Berkeley Campus***

Approval of the following in connection with the appointment of Fiona M. Doyle as Acting Dean–College of Engineering, Berkeley campus:

(1) As an exception to policy, an administrative stipend of 15.7 percent ($25,000) to increase her adjusted academic salary of $159,500 (inclusive of 2 summer ninths) for an annual salary of $184,500. The policy governing stipends allows for up to 15 percent. This recommendation increases the existing stipend from $20,200 to $25,000 per annum.

(2) As an exception to policy, retroactive to December 1, 2006 for a period of up to thirteen months through December 31, 2007, or until this responsibility is transferred to the new Dean of the College of Engineering, whichever is sooner. The policy allows for duration of up to twelve months.

(3) This appointment is at 100 percent time. If an adjustment to Ms. Doyle's annualized academic base salary is made prior to the termination of this acting role, the 15.7 percent stipend will be recalculated against the new annualized academic base salary.

Due to the sudden illness of the former incumbent, a stipend was granted for Ms. Doyle by the campus commencing in December 2006. This stipend was not brought to The Regents for approval because, based on the campus' calculations, the stipend was below 7.5 percent. With the death of the former incumbent, Ms. Doyle will be taking a more active role in the administration of the College of Engineering, thus indicating the need for an increase to, and extension of, the initial stipend.

Additional items of compensation 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.

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

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

(1) An administrative stipend of 10 percent ($20,200) to increase his adjusted academic salary of $201,900 (inclusive of two summer ninths) for an annual salary of $222,100.

(2) If an adjustment to the annualized academic base salary is made prior to the termination of this acting role, the 10 percent stipend will be recalculated against the new annualized academic base salary.

(3) This appointment is at 100 percent time and is effective June 1, 2007, through May 31, 2008, or until the appointment of a permanent Dean and Vice Provost–International Studies, whichever occurs first.

Additional items of compensation include:

- Continuation of an additional stipend of $3,000 for duties begun in 2005 and associated with the position of Chair, Global Studies, Interdepartmental Program, International Institute for a total annual salary of $225,100.

- 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.

C. ***Stipend for Susan Moore as Director–Finance and Accounting, Medical Center, San Francisco Campus***

Approval of the following in connection with expanded administrative responsibilities for Susan Moore as Director–Finance and Accounting, Medical Center, San Francisco campus:

(1) Administrative stipend of 7 percent ($14,900) to increase her base salary of $213,200 to a total annual salary of $228,100.

(2) This stipend is at 100 percent time and effective upon approval and to continue until September 30, 2007, or until these responsibilities are transferred to the new Director–Supply Chain 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 these responsibilities, the 7 percent stipend will be recalculated against the new base salary.

(4) Per policy, continued eligibility for participation in the CEMRP with a maximum payout of up to 20 percent of base salary ($45,620).

Additional items of compensation include:

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

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

D. ***Retroactive Stipend Extension, Slotting, and Salary Increase for Ginger Osman as Chief Administrative Officer, Geffen School of Medicine, Los Angeles Campus***

Approval of the following slotting of the position and a salary increase for Ginger Osman as Chief Administrative Officer, Geffen School of Medicine, Los Angeles campus:

(1) Retroactive stipend extension from July 1, 2006 through February 28, 2007 in the amount of $26,000.

(2) Slotting to SLCG grade 107, based on Mercer recommendation.

(3) Salary increase of $39,000 (21.3 percent) to bring her annual base salary from $183,500 to $222,500. This salary increase is equal to the former stipend which is not proposed to continue past the effective date of the increase to base salary.

(4) Effective March 1, 2007.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.
- Eligibility for UCLA Staff Achievement Award (up to 10 percent).

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. ***Retroactive Stipend for Terry C. Wallace, Jr., as Acting Principal Associate Director–Science, Technology, and Engineering, Los Alamos National Security, LLC***

Approval of the following in connection with a retroactive stipend (due to an administrative error) for Terry C. Wallace, Jr. as Acting Principal Associate Director–Science, Technology and Engineering, Los Alamos National Security, LLC (LANS):

(1) Administrative stipend of 5 percent ($1,063 per month) to increase his monthly base salary of $21,250 to a total monthly salary of $22,313 for the period June 1, 2006 through September 30, 2006.

(2) Administrative stipend of 5 percent ($1,083 per month) to increase his monthly base salary of $21,667 to a total monthly salary of $22,750 for the period October 1, 2006 through May 31, 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.

F. ***Salary Adjustment for Barbara A. Horwitz as Vice Provost–Academic Personnel, Davis Campus***

Approval of the following in connection with the salary adjustment for Barbara A. Horwitz as Vice Provost–Academic Personnel, Davis campus, to maintain an appropriate differential between her faculty salary and her administrative salary:

(1) A salary adjustment of $24,500 (11.8 percent) added to her base salary of $207,900 for a total annual salary of $232,400. This increase establishes a 15 percent differential between Ms. Horwitz's 11-month fiscal year faculty salary and her Vice Provost's salary. Her current 11-month fiscal year faculty salary is $202,121.

(2) With approval of this recommendation, Ms. Horwitz will cease participation in the Health Sciences Compensation Plan (HSCP).

(3) Effective date of March 1, 2007 upon approval of The Regents.

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.

G. ***Joint Mortgage Origination Program Loan for Matthew Kahn and Dora Costa as Professors of the Institute of the Environment and Department of Economics, Respectively, Los Angeles Campus***

Approval for participation in the Mortgage Origination Program (MOP) by husband and wife Matthew Kahn and Dora Costa, Professors of the Institute of the Environment and the Department of Economics, respectively, Los Angeles campus with the following terms:

(1) The loan may be up to $1.5 million.

(2) The loan will comply with all other normal Mortgage Origination Program parameters.

H. ***Mortgage Origination Program Loan for William Rubenstein as Professor of Law, Los Angeles Campus***

Approval for participation in the Mortgage Origination Program (MOP) by William Rubenstein, Professor of Law, Los Angeles campus with the following terms:

(1) The loan amount may be up to $1.5 million.

(2) The loan will be in the form of the graduated payment MOP product (GP-MOP) with no annual reduction in the Interest Rate Differential (as further described in the background) during the term of the loan, resulting in a fixed Interest Rate Differential of 3 percent for the duration of the loan.

(3) The loan will comply with all other normal Mortgage Origination Program parameters.

I. ***Mortgage Origination Program Loan for Douglas Lichtman as Professor of Law, Los Angeles Campus***

Approval for participation in the Mortgage Origination Program (MOP) by Douglas Lichtman, Professor of Law, Los Angeles campus with the following terms:

(1) The loan amount may be up to $1.25 million.

(2) The loan will be in the form of the graduated payment MOP product (GP-MOP) with no annual reduction in the Interest Rate Differential (as further described in the background) during the rate reduction period, resulting in a fixed Interest Rate Differential of 3 percent for 15 years.

(3) The loan will comply with all other normal Mortgage Origination Program parameters.

J. ***Change in Title, Classification, Slotting of Position, and Salary Adjustment for Santiago Muñoz as Associate Vice President–Clinical Services Development, Office of the President***

Approval of the following in connection with the change in title, classification, slotting of position, additional responsibilities, and salary adjustment for Santiago Muñoz as Associate Vice President–Clinical Services Development, Office of the President:

(1) Change in title from Executive Director–Clinical Services Development to Associate Vice President–Clinical Services Development.

(2) Classification of position in the Senior Management Group.

(3) Approval of slotting of position, Associate Vice President–Clinical Services Development at SLCG Grade 106: range minimum $150,000, midpoint $189,900, maximum $229,700, as recommended by Mercer.

(4) Salary adjustment of $18,604 ((10.9 percent) added to his current salary of $171,396 for a total annual salary of $190,000, 100 percent time.

(5) As an exception to policy, eligibility for participation in the CEMRP with a maximum payout of up to 20 percent of base salary ($38,000). This request for Mr. Muñoz's participation is supported by the medical center CEOs. Any payout will be based on performance against pre-established goals and objectives associated with cost and revenue management, as well as other objectives.

(6) 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, including, per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.

(7) Effective date of March 1, 2007 after approval by The Regents.

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. ***Change in Title, Classification, and Slotting of Position for James E. Stofan as Assistant Vice President–Alumni Affairs and Protocol, Office of the President***

Approval of the following in connection with the change in title, classification, and slotting of position for James E. Stofan as Assistant Vice President–Alumni Affairs and Protocol, Office of the President:

(1) Change in title from Executive Director, Alumni Affairs and Protocol to Assistant Vice President–Alumni Affairs and Protocol. There is no change in Mr. Stofan's base salary of $155,250 per annum.

(2) Classification of the position in the Senior Management Group.

(3) Approval of slotting of the position, Assistant Vice President–Alumni Affairs and Protocol, at SLCG Grade 104 minimum $120,400, midpoint $151,400, maximum $182,400.

(4) Effective March 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, 3 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.

L. ***Change in Title and Salary Adjustment for Daniel Greenstein as Vice Provost–Academic Information and Strategic Services, Office of the President***

Approval of the following in connection with the change in title and salary adjustment for Daniel Greenstein as Vice Provost–Academic Information and Strategic Services, Office of the President in recognition of additional responsibilities:

(1) Title Change from Associate Vice Provost and University Librarian to Vice Provost–Academic Information and Strategic Services.

(2) Salary Adjustment of $29,500 (15 percent) added to his base salary of $196,800 for a total annual salary of $226,300.

(3) Effective date March 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, 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.

M. ***Change in Title and Promotional Increase for Jonathan Mandle as Investment Officer–Absolute Returns, Office of the President***

Approval of the following in connection with the promotional increase, title, and job grade change for Jonathan Mandle as Investment Officer–Absolute Returns, Office of the President:

(1) Promotion and change in title from Investment Analyst SLCG grade 102 to Investment Officer–Absolute Returns SLCG grade 104, 100 percent time.

(2) Promotional increase of $20,500 (19 percent) to bring his base salary from $108,000 to $128,500 (SLCG Grade 104 minimum $120,400, midpoint $151,400, maximum $182,400).

(3) Per policy, continued eligibility to participate in the University of California Office of the Treasurer Annual Incentive Plan. Consistent with the new position and grade, increase in the incentive target from 20 percent to 35 percent (maximum award of up to 70 percent) of base salary.

(4) Effective March 1, 2007 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.

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

11. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN BENEFIT PROPOSAL FOR UC LADDER RANK FACULTY ON LEAVE WITHOUT PAY AT THE HOWARD HUGHES MEDICAL INSTITUTE AND THE LUDWIG INSTITUTE FOR CANCER RESEARCH**

Associate Vice President Boyette recalled that the Office of the President has received inquiries from individuals and administrators who are concerned that faculty holding affiliate appointments at the Howard Hughes Medical Institute (HHMI) and the Ludwig Institute for Cancer Research (Ludwig) receive retirement benefits that have significantly less value than faculty who hold equivalent full-time UC-paid appointments throughout their careers. The University of California Retirement Plan (UCRP) benefit proposal would modify the UCRP benefit calculations for such faculty members to address the disparity.

Under current agreements, UC faculty members receive salary and benefits from the affiliated agencies and are placed on a Leave Without Pay (LWOP) from UC. Consequently, their UC salary and benefits are suspended and they stop accruing UCRP service credit while on leave, even though under the agreements they are permitted, on a part-time basis, to provide valuable academic services to UC, including teaching, research, and administrative services.

Salary and service at HHMI or Ludwig do not count towards eligibility for or enhancement of any retirement, disability, or survivor benefits under UCRP, which generally are based on three factors – UCRP service credit, highest average plan compensation (HAPC) and the applicable age factors. The 36-consecutive-month period used to calculate a UCRP member's HAPC is usually a member's final three years of employment with UC; however, the HAPC for UC faculty on LWOP while working at HHMI or Ludwig typically is based on the lower salary the faculty member earned while on the UC payroll at an earlier point in his or her career. In addition, vested UC faculty on LWOP while working at HHMI or Ludwig do not receive cost of living adjustments (COLAs) on their HAPCs during the leave, whereas vested faculty who leave a UC-paid position and become inactive members of UCRP (for example, to take a position with a competitor institution) receive annual COLAs on their HAPCs until they elect to retire or take a lump sum cashout. Currently, in order to maximize the UCRP HAPC, the faculty member on LWOP with HHMI or Ludwig must return to a UC-paid position for at least three years prior to electing retirement benefits from UCRP.

Salary Setting While on LWOP from UC

For each HHMI/Ludwig faculty member, the campus determines the appropriate amount of salary based on the faculty member's rank and step according to established academic review procedures. For general campus faculty, this is based on the academic year faculty salary scale as a nine-month appointee. For faculty covered by the UC Health Sciences Compensation Plan, the salary (X) is a fiscal-year rate based on the faculty member's academic rank, step, and Academic Programmatic Unit (APU) scale. The salaries that HHMI pays to faculty are intended to be comparable to those paid to UC faculty who are paid by UC. The campuses consult annually with HHMI to give salary recommendations. While HHMI retains ultimate authority for salary setting, they generally accept campus recommendations.

UC Contributions of HHMI/Ludwig Faculty

The HHMI and Ludwig investigators, all of whom have UC faculty appointments, are an integral part of their campus communities. The academic review process for faculty appointment and promotion is the same for them as it is for other ladder rank faculty members. The University substantially benefits from the affiliations not only because of the contributions made by the individual investigators, but also from the sizable institutional support provided by HHMI and Ludwig. Affiliate institutional support to UC includes occupancy fees, funding for construction and renovation of facilities, investigator start-up expenses, and salary support. For UC Berkeley and UC San Diego alone, this support is more than $50 million annually.

HHMI/Ludwig faculty teach courses and mentor students, and are considered extremely valuable and productive teachers. For example, as of February 2007, the ten HHMI faculty members at UC Berkeley are supervising and mentoring a total of 82 graduate students and 39 UC-paid postdoctoral scholars. At UC San Diego, teaching by HHMI/Ludwig faculty includes giving lectures, mentoring junior faculty, directing the Cell Biology Course for Biomedical Sciences graduate students, mentoring graduate postdocs and graduate students in the laboratory, and leading discussion groups. At UC San Francisco, one HHMI faculty member has won UC San Francisco teaching awards eleven times, and another received the Inspirational Teacher Award from the Class of 2006.

Many of the investigators serve in leadership positions. The investigators may serve as department chairs, leaders of graduate training programs, and directors of major research centers. For example, members of the HHMI faculty at UC Berkeley have served as co-Chair of Molecular and Cell Biology, Vice Chair of Chemistry, Director of the Lawrence Berkeley Laboratory Molecular Foundry, Division Head of Genetics, and Director of the Campus Stem Cell Center, among other major leadership posts. At UC San Francisco, two HHMI faculty have served as department chairs, two are division chiefs, and three have led or still lead graduate training programs.

Many investigators have received highly prestigious recognition for their outstanding contributions. At UC San Diego alone, HHMI/Ludwig faculty include seven members of the National Academy of Sciences, two members of the Institute of Medicine, and three members of the American Academy of Arts and Sciences.

Proposal

After extensive analysis and systemwide consultation, a proposal has been developed to address equity issues for UC ladder rank faculty working under HHMI and Ludwig affiliate agreements. The proposal, in addition to improving UCRP retirement benefits, would also improve the UCRP benefits to eligible faculty and their spouses/domestic partners in those cases in which the faculty member becomes disabled or dies while on LWOP. Adoption of the proposal would allow eligible ladder rank faculty appointees on LWOP from UC to make retirement choices based on academic decisions; they would no longer be required to return to UC employment primarily to vest in UCRP benefits or to earn a higher HAPC for their UCRP benefit. Specifically, the proposal would amend UCRP to provide for the following:

A. Effective for UCRP retirement dates, disability benefit dates, or deaths (survivor benefits) occurring March 1, 2007 or later, ladder rank faculty on LWOP with affiliate appointments at HHMI or Ludwig would have their UCRP benefits calculated so that:

   - Their HAPC used in the UCRP retirement income calculation or death while eligible to retire benefit calculation would be determined over the 36-consecutive-month period that produces the highest monthly average, taking into account UCRP covered compensation while on a UC payroll and equivalent UC covered compensation while on LWOP to allow the value of their UCRP benefit to reflect higher compensation in later years.

   - Past and future HHMI or Ludwig service would count toward satisfying UCRP's 5-year vesting requirement for UCRP retirement income only (but not eligibility for death and disability benefits), and would not count as additional service credit in the calculation of this benefit.

   - The "Final Salary," as defined in UCRP, that is used to determine the UCRP preretirement survivor income and the UCRP disability income benefits payable while on LWOP would take into account the highest salary earned while on the UC payroll or the equivalent salary earned while on LWOP, but eligibility for these benefits would be based only on UCRP service credit on the same basis that applies to all UCRP members on LWOP.

B. The affected locations would fund the increase in the past and future UCRP liability due to the counting of service and pay with HHMI or Ludwig, as determined by the UCRP Consulting Actuary, The Segal Company (Segal), so that the cost of adopting the proposed changes described in this item would be cost neutral to UCRP.

Comparison of Retirement Benefits

HHMI investigators receive a flat 10 percent of salary employer contribution to a defined contribution plan; Ludwig investigators receive a 10.5 percent of salary employer contribution to a 403(b) plan. No employee contribution is required in order to receive these benefits. The account balances in the defined contribution plan and 403(b) Plan are converted to annuities for comparison purposes. These illustrations show that even with the UCRP benefit improvements that would be achieved by this proposal and the annuitized savings plan benefits from HHMI/Ludwig plans, the combined benefits would still be less than if the faculty member spent his or her entire career at UC. It should be noted that these calculations are based on earnings assumptions for the HHMI/Ludwig accounts that are equal to the assumed earnings rate for UCRP. The actual earnings of the faculty member in these plans could be greater or less, depending on the performance of the investments selected.

Number of Affected Faculty and Associated Costs

At present there are 45 HHMI ladder rank faculty at UCB, UCLA, UCSD, UCSF and UCSC and 7 ladder rank faculty at Ludwig (UCSD). Thirty-nine of these members have UCRP service credit, and of those members 27 are vested and currently eligible for a UCRP benefit. Members who are not currently vested in UCRP but who have prior UCRP service credit would be eligible for UCRP retirement income under the proposal if their combined service were at least 5 years. The amount of the benefit would be based only on actual UCRP service credit. None of the current Ludwig faculty has prior UCRP service.

UCRP's Consulting Actuary, Segal, has determined that the total cost as of March 1, 2007 for the proposed change would be approximately $8.5 million based on the difference between the UCRP benefits under current plan provisions and the benefits that would be provided under the proposed change. The total cost is determined based on actuarial assumptions in the July 1, 2006 UCRP actuarial valuation, including assumed retirement dates in the future and the current 52 HHMI/Ludwig affiliates only. The impact of members returning from LWOP to UC employment has not been valued. All costs are estimated based on campus-provided data as of August 2006.

Cost Neutrality for UCRP/Location Assessments

As noted earlier, the proposal is designed to be cost neutral to UCRP. For liabilities attributable to past service, the proposal is considered to be cost neutral to UCRP if the contributions to fund the additional benefits from each campus location are equivalent to the ultimate increase in actuarial liabilities, measured as of March 1, 2007 using the July 1, 2006 UCRP actuarial assumptions.

Of the total cost of this proposed change in benefits of $8.5 million, $5.8 million is attributable to the past service liability through the proposed effective date of March 1, 2007.

This is the value of additional benefits associated with salary increases since the faculty went on a LWOP from UC until March 1, 2007. The affected locations would pay UCRP the full cost for enhancing the UCRP benefits for current HHMI/Ludwig faculty on LWOP for past service liability as of March 1, 2007 either as a lump sum or amortized over five years, as calculated by UCRP's Consulting Actuary, Segal.

In addition, there are future service costs for this proposed change in benefits, representing the difference between the total cost and the past service liability, of $2.7 million. These costs represent the value of additional benefits associated with estimated salary increases that occur after March 1, 2007. Each campus will also pay the future service costs annually for each current and newly appointed HHMI/Ludwig faculty member on the basis of a percentage of UC-approved LWOP equivalent covered compensation, as calculated by the UCRP actuary. The future service cost as of March 1, 2007 calculated as a percentage of UC-approved LWOP covered compensation is 3.59 percent. This cost also includes a provision for the administrative expenses that are associated with implementing this proposed benefit change. The UCRP actuary would recalculate the future service liability percentage every three to five years to maintain cost neutrality.

Mr. Paul Angelo, representing the Segal Company, The Regents' consulting actuary, showed slides to illustrate how the benefit proposal would work in practice.

Faculty Representative Oakley reported that the Academic Senate is in the process of reviewing the proposal. Although the proposal contemplates an actual cost mechanism in which money up front would be contributed to UCRP at the campus level based on the actuarial determination of the cost to UCRP of elevating the pension receipts of the covered investigators, it is the view of the Academic Senate that there has not been due diligence on determining the actual total compensation package. There are additions such as discretionary funds and research grants that have not been reviewed. It must be determined whether it is appropriate retrospectively to adjust the contractual compensation for this group of investigators, which requires a look at the entire portfolio of benefits that flows to them, and whether UCRP is properly used as a funding source for increasing compensation for that cohort. If UCRP is made whole, then The Regents' fiduciary duties to the retirement system are properly observed. Committee Chair Hopkinson noted that before the May meeting there will be opportunities to consult with the faculty.

12. INTERIM REGENTAL POLICY ON ASSOCIATE OF THE PRESIDENT/CHANCELLOR

Regent Hopkinson recommended approval of the following Regents' Policy on the Associate of the President or the Associate of the Chancellor to replace the current Presidential policy, which was issued on July 1, 1995:

A. Upon the request of the President or Acting President, The Regents may approve the appointment of the spouse or domestic partner of the President or Acting President as the Associate of the President.

B. Upon the request of a Chancellor or Acting Chancellor, the President may approve the appointment of the spouse or domestic partner of a Chancellor or Acting Chancellor as the Associate of the Chancellor. The President will provide a report to The Regents of such appointments.

C. Appointment as the Associate of the President (or Chancellor) is intended to reflect and recognize the contributions and services of those individuals who are called upon to serve as ambassadors for the University and/or the President (or Chancellor). The Associate will represent the University in association with the President (or Chancellor) or independently at the campuses, National Laboratories and at national and international functions. The Associate will be expected to accompany the President (or Chancellor) in settings where this will enhance the University's relationships with students, alumni, faculty, staff, donors, friends, public officials, private sector officials, and representatives of foreign governments. Intended significant involvement in activities and functions such as described above is required in order to be granted the appointment as Associate. This appointment is without salary.

D. The Associate of the President and the Associate of the Chancellor will be eligible for the following:

(1) A University identification card which will allow access to campus facilities and services (e.g. University library privileges) in accordance with campus procedures.

(2) Reimbursement of University-related travel expenses, including expenses associated with use of a personal automobile when providing substantial services on behalf of the University. Such expenditures will be reimbursed in accordance with the provisions contained in Business and Finance Bulletin G-28, Policy and Regulations Governing Travel, and Business and Finance Bulletin G-45, Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors.

(3) Reimbursement of business meeting and entertainment expenses incurred when providing substantial services on behalf of the University. Such expenditures will be reimbursed in accordance with the provisions contained in Business and Finance Bulletin BUS-79, Expenditures for Entertainment, Business Meetings, and Other Occasions.

(4) Reimbursement of costs associated with cellular phones and other portable electronic resources used when providing substantial services on behalf of the University. Such expenditures will be reimbursed in accordance with the provisions contained in Business and Finance Bulletin G-46, Guidelines for the Purchase and Use of Cellular Phones and Other Portable Electronic Resources.

(5) Use of University equipment (e.g. laptop) when providing substantial services on behalf of the University. Such expenditures will be in accordance with the provisions contained in Business and Finance Bulletin BUS-29, Management and Control of University Equipment, Section N. Personal Use of University Property, Electronic Communications Policy, Business and Finance Bulletin IS-3 Electronic Information Security, and Business and Finance Bulletin RMP-8 Legal Requirements on Privacy of and Access to Information.

(6) Travel insurance coverage while traveling on University business in an amount equivalent to that provided to non-SMG University employees.

(7) Workers compensation coverage for any injury arising out of the course and scope of the service performed as an Associate, in accordance with the California Workers Compensation Act.

(8) Defense and indemnification of the Associate with respect to any claims resulting from acts or omissions in the service performed as an Associate, except when the action or failure to act resulted from actual fraud, corruption, or malice.

(9) Business cards bearing the Associate of the President or Associate of the Chancellor title.

(10) Courtesy parking permits for use at University-owned facilities.

E. The cost of expenses incurred under parts D.(2), (3), and (4) above will be charged to unrestricted, non-State funds.

F. Annual Budget

(1) The budget for the Associate to the President must be:

a. Built into the annual budget of the Office of the President for the President's immediate office, but not as a line item.

b. Approved in advance annually by the Chair of The Regents based on submission by the President of a detailed budget for the year.

(2) The budget for each Associate to the Chancellor must be approved in advance by the President annually based on submission of a detailed budget for the year.

G. Approval of Expenditures

(1) The Secretary and Chief of Staff to The Regents will approve the reimbursement of expenses based on receipts submitted by the Associate to the President, in conformance with the approved annual budget for the Associate to the President and applicable University policy. If an expense represents an exception to the approved annual budget or applicable University policy, the expenditure must be approved by the Chair of The Regents' Finance Committee.

(2) The Executive Vice President and Chief Financial Officer will approve the reimbursement of expenses based on receipts submitted by each Associate to the Chancellor, in conformance with the approved annual budget for the Associate to the Chancellor and applicable University policy.

H. The University Auditor will be responsible for conducting regular audits of the expense reimbursement process under this Policy.

I. This policy will become effective immediately and supersedes the July 1, 1995 Associate of the President/Chancellor policy and guidelines.

Committee Chair Hopkinson recalled that the current policy governing appointment to the position of Associate of the President/Chancellor was issued on July 1, 1995 by the Office of the President. The policy was not established by The Regents, although in certain instances The Regents has approved the appointment of an Associate to the Chancellor. The policy to be adopted formally by The Regents addresses changes in administrative needs, including use of current communication technology (such as cellular telephones), and now includes "Associate" designation for spouses and domestic partners of those in an Acting capacity. The proposed policy designates The Regents as the approval authority for the Associate of the President position, and delegates approval authority to the President for similar positions for the Chancellors, with responsibility to report such appointments to The Regents. The policy further designates an authority outside of the President's immediate office and the Chancellor's immediate office for review and approval of expenses in accordance with applicable University policies. Finally, the policy provides for regular audit of the expenses reimbursed under this Policy to ensure future compliance with its terms. The proposed policy is consistent with the University's ongoing commitment to transparency, disclosure, and public accountability.

Committee Chair Hopkinson noted that Human Resources intends to determine the appropriateness of the use of the word "Associate" and will submit to the Committee Chair and the President a recommendation either to retain or change that title.

In response to a question asked by Regent Parsky about disclosure, Associate Vice President Boyette suggested adding the expenditures for the position to the University's Annual Report, which is a public document. Committee Chair Hopkinson proposed bringing this suggestion to the Board as a formal recommendation at the May meeting.

Regent Garamendi believed that, in light of increased student fees and significant augmentations in administrative overhead, the policy was ill-advised and that an estimate of the amount of money involved should be submitted before the policy is approved. Committee Chair Hopkinson explained that specific amounts will come forward when the budgets are approved. Executive Vice President Darling reported that the money will be charged to unrestricted non-State funds; he was unsure as to whether any of that will be from student fees.

Regent Parsky recommended postponing approval until the May meeting, following disclosure of the amount of money potentially involved, the process, and an appropriate title. Committee Chair Hopkinson noted that the item as presented establishes Regental approval only for the President's Associate but that the budgets would be disclosed for the Chancellors' Associates as soon as possible.

Committee Chair Hopkinson emphasized that the recommendation is to approve the policy. Subsequent to that approval, the budgets will be prepared and presented to The Regents for approval.

Regent Moores favored changing the word "Associate" to "Spouse" or "Partner."

Committee Chair Hopkinson emphasized that the practice exists; the recommendation has been brought forward not as an implementation program but as a policy, to provide clarity. She asked if there were something in the policy that was objectionable. Regent Parsky responded that he would like to know how much money has been expended under the Presidential policy in the past and what can be anticipated in the future.

In deference to those who had expressed concerns, and with the support of Chairman Blum, the Committee agreed to postpone consideration of the recommendation until the May meeting.

Executive Vice President Darling asked for clarification as to the status of the Presidential policy in the absence of approval of the Regental policy. It was the consensus of the Committee that spouses who are Associates of the Chancellor should continue to be reimbursed for their expenses in the interim.

Regent Marcus believed that the Regents needed to reassess their role in relation to the Office of the President so as to allow the administration to operate the University on a day to day basis, which means creating budgets and monitoring and controlling activities. He pointed out that the trend toward looking closer and closer at less and less would result in the Regents' not having the time to address some of the primary issues the University will be facing over the next ten years.

13. **PRESENTATION ON THE BASICS OF FACULTY SALARIES**

It was recalled that at a previous meeting Regent Hopkinson had asked for a presentation on how ladder-rank faculty salaries are determined at the University. Faculty Representative Oakley presented the basic mechanics of the rank-and-step system used to set faculty salaries, followed by a presentation by Provost Hume on the benefits of that system, the stresses it faces, the range of responses those stresses have provoked at the campus level, and the work being done at the systemwide level to preserve the system.

Faculty Representative Oakley stated that there are three defining features of a faculty member's progress up the salary scales of the professorial rank and step. Faculty members enter the system upon recruitment at a particular rank and step, generally as untenured assistant professors. Advancement to tenure does not end the review process; achieving tenure is only one step in a continuing process of performance review. Merit reviews are held generally every two to three years. They are initiated by the chair of the faculty member's department and include contributions from the individual faculty member, the department, the dean responsible for that department, and Committee on Academic Personnel (CAP) of the divisional Academic Senate, and the campus Chancellor, who has ultimate authority over merit advancements and promotions but generally delegates this authority to the Provost and the Vice Provost responsible for the academic personnel process. In addition to a department vote and review by the division Senate's CAP, at key stages merit actions are evaluated by confidential peer reviewers at other universities and by an ad hoc committee drawn in part from other departments on campus.

An advancement or merit increase elevates a faculty member to a higher step in the salary scale associated with his present rank. A promotion moves a faculty member to a new and higher rank. Both advancement and promotion tie higher salaries to success in the merit review process. Advancement or promotion is not automatic. Faculty are evaluated on teaching, research and creative work, professional competence and activity, and University and public service. The latter two criteria direct attention to different forms of service. Merit review demands that the candidate demonstrate excellence in all dimensions of academic life.

The Assistant Professor salary scale extends from Step I through Step VI; however, the Step 1 pay is so low that the standard entry level step has become Step II. Progress up the Assistant Professor scale generally occurs biennially. There is normally an eight-year up or out limit to service as an Assistant Professor. The standard pattern is from Step II to

Steps III and IV, and then either promotion to the tenured rank of Associate Professor or separation from the University. Progress through the initial tenured rank of Associate Professor also likely occurs at two-year intervals. The normal period of service at this rank is six years, normally extending through Steps II and III. Upon promotion to full Professor, the standard period for merit advancement becomes three years. Accelerated advancement requires a demonstration of exceptional merit.

Step V acts as a barrier step. Advancement to Step VI requires evidence of excellent teaching and highly distinguished scholarship and service plus national or international recognition as a scholar or teacher. Advancement through the remaining steps after three or more years at each requires the demonstration of continued achievement.

While some faculty may be hired on an eleven-month appointment, which includes summer work, typical appointments are for the nine-month academic year but include the possibility of receiving additional salary, paid from department funds or research grants, for summer research and/or teaching. It is possible also for a full Professor to be advanced to Above-Scale status, although this is reserved for scholars and teachers of the highest distinction who have achieved international acclaim, and it requires extramural review. Above-Scale salaries are set individually.

Turning to the current state of the faculty salary system, Provost Hume noted that recruiting and retaining faculty of the highest caliber has put great strain on the salary system. While the advancement elements are functioning well, the associated compensation levels have not kept up with market realities. There is a critical need to raise faculty salaries beyond incremental cost of living increases. In the absence of the full support that is needed, over time specialized scales have developed for certain disciplines, including Law, Business Administration, Engineering, and Health Sciences. As with the conventional ladder, advancement through the steps of these scales is based on rigorous peer review.

Generally, the authority to approve faculty salaries for merit increases and new appointments belongs to the Chancellor on each campus. If the amount exceeds thresholds set by The Regents, the President must approve the salary. The President reports semiannually to The Regents on faculty salary actions taken by him, including those actions delegated to the Chancellors.

Merit increases are awarded based on performance, to advance a Professor up the steps of the salary scale. Off-scale salaries are used to maintain competitive salaries when it is necessary to do so, and still preserve the peer review process that governs advancement up the steps of the ranks. Off-scale salary adjustment also signals to many of the University's most competitive and marketable faculty that it s a priority to recognize and retain them. The funding for these increases comes from a variety of sources, including, unfortunately, unfilled faculty positions. It is an interim solution and indicates the severity of the problem and the critical need for a long-term plan to raise faculty salaries across the system to competitive rates.

In addition to salary increases for merit and promotion, faculty members receive regular or semi-regular cost of living increases, depending on the State budget. From 2002 to 2005, faculty received no increase and only an increase of 2 percent from 2005 to 2007. In November 2005, The Regents committed to increasing salaries to achieve market comparability for all groups of employees over the ten-year period from 2006-07 through 2015-16. In 2006, The Regents' budget allocated 4 percent for faculty salaries; 3 percent from the State, and 1 percent from University sources. Of these amount, 2 percent went to a cost of living adjustment for all faculty, 2.3 percent funded all merit increases, and .5 percent went to off-scale salaries. In total, 4.8 percent went to increase faculty salaries in amounts dependent upon who received merits and who was retained or recruited with the assistance of off-scale salaries. The campuses are spending more than they are allocated, taking funds from other sources, including not filling funded faculty positions.

Faculty salaries on the general professorial scale at the University are lower than those of its competitors by 10 percent and have not been at parity with them for 12 years. The Academic Senate has completed its review of recommendations from its Committee on Academic Personnel designed to provide solutions. Suggested ways of decreasing the reliance on off-scale salaries include increasing the cost of living allowance and revising salary scales and ranges.

In closing, Provost Hume stated that an equitable and competitive compensation system is essential to sustaining the University's excellence and high esteem. The rank-and-step system, with faculty oversight, must be fair, defensible, and transparent. The present salary system is being stressed as a consequence of the inability to adjust salary scales to market-based salaries by discipline. Maintenance of faculty salaries, by discipline, at market values must be a top priority in annual negotiations with the Governor and the State Legislature.

Committee Chair Hopkinson asked for information at the May meeting on the status of the University's progress as envisioned in the ten-year plan with respect to faculty salaries. She wanted to know how much of the money that was intended to raise salary levels on a broad basis is being used for either retention or new hires at higher rates.

In response to a question asked by Regent Preuss, Provost Hume reported that the salaries of more than half the current faculty are Above-Scale.

Regent-designate Brewer suggested highlighting the extent to which faculty salary issues are affecting the student-faculty ratio.

Provost Hume reported that the President and the Academic Senate are concerned about the number of off-scale salaries and are working to define those mechanisms that will be needed in order to reverse the trend while restoring and supporting the merit-based system and meeting The Regents' goals.

Regent Marcus observed that the system of merit steps post tenure is a key pillar that has distinguished the University globally. He encouraged the continuation of incentives to campuses and faculty to maintain this important system and allow the flexibility necessary for each campus to run its schools in the best way possible. The system has ample checks and balances and has worked very well.

14. **LEGISLATIVE REPORT ON EXECUTIVE COMPENSATION INCLUDING REGENTS ANNUAL REPORT ON COMPENSATION FOR CALENDAR YEAR 2006: INCUMBENTS IN CERTAIN SENIOR MANAGEMENT POSITIONS**

The Committee was informed that the following language represents what the University is required to report to the Legislature in response to the 2006-07 Budget Act requirement:

> "UC fundamentally reform its compensation policies and practices to more appropriately reflect its status as a public institution accountable to the State of California. It is the intent of the Legislature that UC submit an annual report by March 1 of each year through 2010-11 to the Joint Legislative Budget Committee, legislative fiscal subcommittees, and the Department of Finance on the University's progress in reforming its compensation policies and practices consistent with the recommendations of the April 2006 Report of the Task Force on UC Compensation, Accountability, and Transparency (Task Force), the PricewaterhouseCoopers report, and the Bureau of State Audits May 2, 2006 report.
>
> "Specifically, the University's report should include the following:
>
> "(1) Consistent with the Task Force's recommendation on reporting, annual reports provided to the Board of Regents on total compensation for specified University senior officials (including the President, Provost, senior vice presidents, vice presidents/provosts, associate/assistant vice presidents, the University auditor, the University controller, principal officers of The Regents, chancellors, vice chancellors, national laboratory directors/deputy directors, medical center CEOs, professional school deans, and the top five most highly compensated positions at the Office of the President and each campus, medical center, and Department of Energy Laboratory).
>
> Total compensation information on employees not covered by this language is to be made available to the Legislature upon request.
>
> "In its annual report of total compensation for senior officials, the University should use a standard reporting template, such as the template recommended in the April 2006 Report of the Task Force, that lists all elements of total compensation including base salary, benefits and perquisites, and all other forms of UC-provided compensation that accrue to the individual.

"(2) Plans and actions taken by UC to reform compensation policies and practices to ensure that, (a) clear and appropriate policies are in place to define compensation, (b) university compensation remains competitive, (c) it is clear with whom the authority lies for making compensation decisions, (d) policies include specific guidance about when exceptions are appropriate, who may grant them, and through which mechanisms, so that exceptions do not become the rule, (e) conflicts among existing policies are eliminated, (f) mechanisms are in place to ensure compliance with newly reformed policies and to reliably impose consequences when policies are violated;

"(3) Plans and actions taken by UC to update its human resources information system to ensure that campuses and the Office of the President are entering and capturing data in an accurate and systematically compatible manner that permits disclosure of compensation information in a full and timely way."

The University's Annual Report on Compensation, Calendar Year 2006, addresses the reporting requirements outlined in (1), above. The content and layout of this report, compliant with legislative reporting requirements, was approved by The Regents at the January 2007 meeting.

Population Covered

The report presented at this meeting includes all incumbents in the "senior official" listing of positions noted above. The report that will be presented at the May Regents' meeting will add to this and include the population that currently requires Regental review and approval, e.g., those administrators whose cash compensation exceeds $200,000 per annum.

The report displays compensation details on 275 incumbents and former incumbents in these positions, including those in an acting capacity and those who stepped down or terminated employment. If an individual held more than one role during 2006, the last position held is reported.

Cash Compensation

The report presents the following details on each person: annualized base salary, annualized stipends, actual payments received under incentive or bonus programs, total actual Health Sciences Compensation Plan (HSCP) payments, and other cash compensation or cash payments. A subtotal of these elements is also provided. This information is a combination of data that represents actual payments and annualized figures. The annualized figures for base salary and stipends were chosen over actual pay to avoid problems with partial year assignments. For example, actual pay for a new employee who starts employment with the University in November with an annualized base salary of $240,000 would be only $40,000. In many cases, stipends (which are represented in the report as annualized figures) may only be paid for a portion of the year and therefore do not reflect what the recipient actually received. In some cases, individuals received the stipend for less than the full year, but the annualized figure is still represented.

Health Sciences Compensation Plan payments are provided and displayed in a separate column for those participants who produce clinical revenue. The amounts displayed in this column reflect actual payments to the individuals and include income processed through the HSCP (per policy) from qualified outside activities, such as speaking engagements. Since an individual's outside activities fluctuate from year to year, the HSCP payments may fluctuate accordingly. One-time payments/reimbursements are made to the employee or on behalf of the employee to a third party vendor, including relocation allowances, temporary housing reimbursements or allowances, and moving expense reimbursements.

Benefits and perquisites include leased auto or auto allowance, senior management benefits (including some or all of the following: life insurance, executive business travel insurance, executive salary continuation for disability), University-provided housing, severance benefits, senior management supplemental benefit program contributions, additional post-retirement benefits (including medical coverage, enhanced retirement income benefits, enhanced retirement vesting schedules, etc.), and home mortgage loans provided under the University programs (the original loan amount is presented). Auto allowances are represented as annualized figures. In some cases, individuals received the allowance for less than the full year, but the annualized figure is still represented.

Data Collection, Review, Audit, and Certification Process

The Annual Report on Compensation was produced from data collected manually by each campus and laboratory using a variety of sources such as payroll, account payables, personnel records and others to populate a data warehouse, the Senior Leadership Information System (SLIS). Multiple data quality reviews were conducted by the Office of the President (OP) and local entities. The first certification occurred at the individual level when each person received a report from SLIS displaying his or her data and was asked to certify that the information was accurate and complete. Each person also certified that there were no other forms of compensation paid to them, nor did they have any other compensation due that had yet to be paid. In addition, campus and OP auditors reviewed the population and data, checking against source records to validate the accuracy and completeness of the data entry and the reportable population. Each Chancellor and Executive Vice President reviewed his group data certifying that the population contained in the report was accurate and complete.
The Annual Report to the Joint Legislative Budget Committee, Legislative Fiscal Subcommittees and the Department of Finance for University of California is the full report that will be provided to the Legislature and addresses items (2) and (3) in the budget language, above. This report will address the progress and reforms grouped into six categories, specifically:

• Disclosure and Transparency

- Annual Reporting of Total Compensation for named positions
- Accountability and Governance
- Compensation Policy Reforms
- Policy Compliance, Enforcement, Monitoring and Oversight
- Human Resources Information System

These reports along with the Annual Report on Compensation will be presented to the Legislature later this month.

15. **ANNUAL REPORT ON COMPENSATED OUTSIDE PROFESSIONAL ACTIVITIES FOR CALENDAR YEAR 2006: INCUMBENTS IN CERTAIN SENIOR MANAGEMENT POSITIONS**

It was recalled that the annual report on compensated outside professional activities for calendar year 2006 for certain senior management positions otherwise referred to as “named positions” separates the Chancellors, as presented on the first page, from the remaining population.

As stated in Presidential Policy:

“…Longstanding University policies and practices, including Regents’ Standing Orders, have recognized the value of contributions made by University employees to external educational and research institutions, not-for-profit professional associations, State and Federal government, and private sector organizations. Considerable benefit accrues to the University from such service, deriving from association of University leaders with business leaders and the exchange of ideas among them. Such associations are intended to create a broader and deeper understanding and awareness of the University of California and its value to the State and the nation…”

The information is reported and certified as complete and accurate by each individual in a named position. The activity reported occurred between January 1 and December 31, 2006.

The compensated activities of those serving in named positions are reported within the following parameters:

Population: These reports include incumbents in the “named positions” as approved by the Regents on July 20, 2006 and includes the titles 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 and deans. Those who resigned from the University prior to January 1, 2007 are not included in this report nor are those who served in a named position in an acting capacity. The balance of the reportable population (all Senior Management Group members) will be provided to The Regents in May.

Activities: Outside professional activities occurring prior to 2006 or service provided prior to an appointment into the Senior Management Group (SMG) are not included in this report. Please note that the collection of information pertaining to outside professional activities is complicated by the number of policies currently in existence including:

- January 2007 Regental Interim Modifications to the Presidential Policy on Outside Professional Activities
- September 2000 Revised Guidelines for The Presidential Policy on Outside Professional Activities for University Officers and Designated Staff
- July 1995 Presidential Policy on Outside Professional Activities for University Officers and Designated Staff
- March 1995 Regental Policy on Outside Professional Activities of the President, Principal Officers of The Regents, and Officers of The Regents.

The review and development of a single policy on outside professional activities is a priority of the current policy review project.

The May report will capture the entire reporting population (all SMG members) and reflect clarifications or amendments to the March report.

16. **TRANSFER OF ASSETS AND LIABILITIES FROM THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP) TO THE LOS ALAMOS NATIONAL SECURITY, LLC DEFINED BENEFIT PENSION PLAN AND AGREEMENT REGARDING THE ONGOING OBLIGATIONS OF THE DEPARTMENT OF ENERGY TO REIMBURSE THE UNIVERSITY FOR CONTRIBUTIONS TO THE UCRP**

The President recommended that, in accordance with the provisions of the Contract governing the transition to a successor contractor at LANL, the Associate Vice President–Human Resources and Benefits, be authorized to enter into the following agreements on behalf of the University as sponsor of UCRP and The Regents as trustees of UCRP, provided the agreements are substantially as described below; to execute any regulatory filings associated with the transfer of assets and liabilities; and, pursuant to The Regent's authority to amend UCRP, to adopt any amendments to UCRP that are necessary to carry out the provisions of the agreements:

A. The Agreement Concerning the Transfer of Assets and Liabilities (Transfer Agreement) incorporates the terms agreed to by the University and the Department of Energy/National Nuclear Security Administration (DOE/NNSA) for the transfer of assets and liabilities from UCRP to the Los Alamos National Security, LLC (LANS) Plan, including the amount of assets to be transferred and the documentation required to be provided to UC prior to the transfer of any assets.

B. The substantive terms of the agreement confirming the DOE/NNSA's ongoing funding obligation for UCRP benefits associated with LANL service (Funding Agreement) define the method for calculating any future funding shortfalls, commit DOE/NNSA to a schedule of payments to restore full funding of the separately accounted for segment within UCRP to which the assets and liabilities associated with members' LANL service are allocated (LANL Segment), and address other administrative matters.

Neither of these agreements will become effective, and no assets will be transferred, unless the Office of the General Counsel determines each is in substantially the form as described below and each has been properly executed.

In accordance with prior direction from The Regents, University administrators have consulted with the appropriate standing and special committees and task forces of the Academic Senate concerning the issues addressed in this item. At its meeting of February 28, 2007, the Academic Council unanimously endorsed the analysis and recommendation of the University Committee on Faculty Welfare-Task Force on Investment and Retirement (TFIR) to support entering into agreements with the substantive terms discussed with TFIR which are described below.

It was recalled that, historically, under the University's prime contracts for LANL from 1943 to 2006, DOE/NNSA has reimbursed the University for contributions made to UCRP to meet the actuarial projections of the costs of the benefits accrued by LANL employees who participated in UCRP. The assets and liabilities associated with the UCRP benefits of University employees performing service at LANL have been allocated to the LANL Segment within UCRP 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 term of the existing Contract on May 31, 2006 and consistent with their prior elections, active LANL employees who transitioned employment to LANS began participation in the LANS Plan or became inactive UCRP members (if already vested) and began participation in the LANS market-based defined contribution plan. The Contract requires a transfer of UCRP assets and liabilities associated with the benefits of LANL employees who elected to participate in the LANS Plan. Consistent with the Contract terms, modified as agreed upon by the parties to facilitate administration, all calculations regarding the share of UCRP assets and liabilities associated with LANL service that are subject to division between UCRP and the LANS Plan are based on a valuation date of May 31, 2006 determined by using the actuarial assumptions and methods established by The Regents for UCRP.

The formula outlined in the Contract (Formula) for determining the amount to be transferred to the LANS Plan is defined as "A minus B" where "A" equals the market value of the assets allocated to the LANL Segment prior to transfer and "B" equals the liabilities associated with the UCRP benefits of the active LANL employees who elected to leave their benefits in UCRP and the group of former LANL employees who had already become disabled, retired, deceased or inactive UCRP members by June 1, 2006, or their eligible survivors or beneficiaries. Both groups are collectively referred to below as “Retained LANL Payees.” The Formula calculation results in a 100 percent funded status for the value of the benefits of Retained LANL Payees on a market value of assets basis immediately following the transfer.

Transfer Agreement

The Transfer Agreement contains the terms and conditions negotiated between the University and the DOE/NNSA for the transfer of assets and liabilities from UCRP to the LANS Plan. As of May 31, 2006, the total market value of UCRP assets allocated to the LANL Segment was $4,448,574,090 (A), and the liabilities for the UCRP benefits of the Retained LANL Payees as reported in the June 1, 2006 Special Interim Addendum Report for LANL were $3,169,811,239 (B). Following the Formula results in a May 31, 2006 market value of assets to be transferred (with adjustments as set forth below) from UCRP to the LANS Plan of $1,278,762,851 (A minus B). The transfer of assets and liabilities from UCRP to the LANS Plan is proposed to take place on or about April 2, 2007. The LANS Plan will then assume the liabilities transferred from UCRP effective as of June 1, 2006.

The amount of assets to be transferred will be adjusted for the total return earned by the UCRP portfolio from May 31, 2006, allocable expenses, buybacks for UCRP service credit, and distributions from UCRP to the small number of LANS employees who retired before the transfer of assets and liabilities to the LANS Plan as authorized by The Regents under Interim Authority in December 2006. The amount of assets to be transferred is considered to be the final transfer amount, with additional post-transfer adjustments, or true-ups, to reflect the final performance numbers of certain assets, other investment-related end-of-the-month accountings, any changes requested by the regulators and data corrections.

Assets will be transferred on an in-kind basis under a method agreed upon by UC and DOE/NNSA. The investments to be transferred will be documented in writing and attached as an exhibit to the Transfer Agreement. The agreement allows the flexibility to take into account restrictions on certain investments, such as private equities, real estate and emerging markets.

Prior to the transfer of any UCRP assets, DOE/NNSA will provide evidence that both the Transfer Agreement and the Funding Agreement have been executed or validly adopted and various other representations and assurances established by the University’s legal counsel.

The transfer of assets and liabilities from UCRP to the LANS Plan will undergo regulatory review from the IRS to insure compliance with applicable federal tax laws and will be adjusted if necessary to conform to such requirements.

Funding Agreement

The Funding Agreement clarifies and implements the commitment by DOE/NNSA under the Contract to reimburse UC for any contributions made to UCRP to fund any existing or future funding shortfalls in UCRP attributable to the LANL Segment. It also establishes the methodology of calculating whether a current shortfall exists.

The DOE/NNSA has agreed to a target funded ratio for the LANL Segment within UCRP of 100 percent. Any year that the segment is underfunded (using UCRP actuarial assumptions), DOE/NNSA will begin seven years of level payments in an amount projected to restore full funding by the end of the seven-year term. The DOE/NNSA will generally be required to follow a similar seven-year payment approach with the corporate pension plans at its sites under recent changes in the pension funding rules that apply to private employer plans. Under the agreed-upon approach, reimbursements by the DOE/NNSA will be the greater of the payment calculated under the seven-year amortization method or the amount needed to meet liquidity needs for the LANL Segment. Liquidity needs are defined as three times the amount of benefit payments and expenses for the LANL Segment for prior plan year.

In return for clarifying its funding obligation and committing to a payment schedule if a shortfall in the LANL Segment funding occurs, the University agrees that the LANL Segment may remain within UCRP indefinitely, provided DOE/NNSA satisfies its payment obligations.

Because the liabilities of the DOE/NNSA are fixed under the Contract as of May 31, 2006, DOE/NNSA will have approval authority over any ad hoc inflation-based increases in benefits of Retained LANL Payees even if the adjustments are proposed for all UCRP members and beneficiaries. DOE/NNSA will also have approval rights, which it cannot unreasonably withhold, for any proposed changes to UCRP that would:

- Affect only Retained LANL Payees or, in the future, any retained LANL Payees together with any similar retained members and beneficiaries associated with the Lawrence Livermore National Laboratory;
- Raise costs for the Los Alamos Segment beyond that of UCRP generally; or
- Use actuarial assumptions or an asset allocation for the LANL Segment that is different from the assumptions and allocation used generally for UCRP.

The Regents retain all of the fiduciary authority to manage UCRP, but will continue, as in the past, to provide notice to DOE/NNSA of changes to UCRP. The Regents will oversee administration and management of UCRP and its trust fund without the need for prior approval from DOE/NNSA, and take all actions it deems necessary to track the costs and expenses properly allocable to the LANL Segment. The University will continue to provide, at DOE/NNSA expense, an annual addendum report on the LANL Segment and such other calculations as may be required to administer the Funding Agreement. A portion of the costs of UCRP administration will be allocated as an expense to the LANL Segment.

When all benefits have been paid to the Retained LANL Payees, DOE/NNSA will be entitled to receive any surplus in the LANL Segment, subject to regulatory requirements on such a transaction, or will be required to pay any remaining deficit in the funding of the segment.

Actuarial Valuation

In order to determine the appropriate assets and liabilities of the LANL Segment, a special actuarial valuation was performed by The Regents' actuary, The Segal Company, based on May 31, 2006 data. The valuation was performed in consultation with internal and external counsel and as agreed to with DOE/NNSA in order to carry out the terms of the Contract.

Consultation

University administrators have consulted with the appropriate representatives of the Academic Senate, including the University Committee on Faculty Welfare (UCFW), the UCFW Task Force on Investment and Retirement, the University Committee on Planning and Budget, the Academic Council Special Committee on the National Labs, and the Academic Council regarding the issues described in this item. In addition, University administrators have consulted, and will continue to consult with various constituent groups on these issues. The University Committee on Faculty Welfare-Task Force on Investment and Retirement (UCFW-TFIR) Analysis and Recommendation to Support the Draft "Agreement on Terms for Transfer of Assets from UCRP to LANS Plan and Continued Administration and Obligation Related to LANL Portion of UCRP," dated January 24, 2007, was unanimously endorsed by the Academic Council at its February 28, 2007 meeting.

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.

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

17. **REPORT FROM SPECIAL MEETING REGENTS ONLY SESSION ON AUTOMOBILE ALLOWANCE OR LEASED AUTOMOBILE FOR ACTING CHANCELLORS AND ACTING DIRECTOR**

The Committee forwarded for approval the following item from its March 13 Special Meeting Regents Only Session:

Approval of the following items in connection with the recent President's policy governing automobile allowance or leased autos for Acting Chancellors Abrams, Blumenthal, and Park and Acting Director Miller:

A. Automobile allowance of $743 per month or leased automobile for Norman Abrams at UC Los Angeles, George Blumenthal at UC Santa Cruz, Roderic B. Park at UC Merced, and George L. Miller at Lawrence Livermore National Laboratory.

B. Retroactive with the change in policy, January 29, 2007, and to continue throughout their appointments at Acting Chancellor and Acting Director.

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

18. **REPORT FROM SPECIAL MEETING REGENTS ONLY SESSION ON APPOINTMENT OF ASSOCIATE OF THE PRESIDENT AND RETROACTIVE APPROVAL OF APPOINTMENTS OF ASSOCIATES OF THE CHANCELLORS**

The Committee forwarded for approval the following from its March 13, 2007 Regents Only Session meeting.

Approval of the following items in connection with the appointment of Ann Parode Dynes as Associate, or other title, of the President, retroactive approval of the appointments of the current Associates of the Chancellors, and approval of the appointments of the Associates of the Chancellors for the Acting Chancellors:

A. Appointment of Ann Parode Dynes as Associate or other title of the President effective March 3, 2007 and extending through the period of President Dynes' appointment as President.

B. Retroactive approval by The Regents of the President's previous approvals, as authorized by policy, of the appointments of the current Associates of the Chancellors at the Berkeley, Davis, Irvine, Riverside, San Diego, San Francisco, and Santa Barbara campuses.

C. Appointments of the Associates, or other title, of the Chancellors for the Acting Chancellors at the Merced, Los Angeles, and Santa Cruz campuses.

D. These appointments are subject to the Policy on Associate, or other title, of the President/Chancellor as described in the Regents' Policy on Associate of the President/Chancellor. If approved by The Regents, this revised policy shall govern the terms and conditions of these appointments.

The Committee deferred action on the report.

19. **REPORT FROM SPECIAL MEETING REGENTS ONLY SESSION ON RETENTION INCREASE AND STIPEND FOR EXECUTIVE VICE PRESIDENT–UNIVERSITY AFFAIRS, OFFICE OF THE PRESIDENT**

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

Approval of the following items in connection with a retention increase and administrative stipend for Bruce B. Darling as Executive Vice President–University Affairs:

A. Retention increase of 13.8 percent ($46,000) to bring Mr. Darling's annual base salary from $334,000 to $380,000 (SLCG Grade 113 minimum $324,800, midpoint $419,700, maximum $514,700), effective March 15, 2007 upon Regental approval.

B. Per policy, an administrative stipend of:

- 10 percent ($3,166.67) of base salary effective March 15, 2007 for the assumption of temporary duties related to a portion of the responsibilities of the Executive Vice President–Business Operations and the Senior Vice President–Chief Compliance and Audit Officer.

- Upon the conclusion of a phase-in period not to exceed three months following the start date of the Executive Vice President–Business Operations, the stipend will be reduced to 5 percent ($1,583.33) of base salary.

- Upon the conclusion of a phase-in period not to exceed three months following the start date of the Senior Vice President–Chief Compliance and Audit Officer, the stipend will end.

- Eligible to participate in the October 2007 merit and equity review program.

Additional compensation and related items include:

- Per policy, continued participation in the Senior Management Supplemental Benefit Program (5 percent of base salary; $19,000 per annum at the new rate).

- Per policy, continued eligibility for an automobile allowance in the amount of $743 ($8,916 per annum).

- Per policy, Mr. Darling has a current MOP loan and will continue to participate in the Mortgage Origination Program.

- Per policy, an administrative fund of $22,000 for official business and related expenses and other purposes permitted by University policy.

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

Faculty Representative Brown stated that he took issue with the recommendation because he was concerned about the message it sends to faculty, staff, and the public, especially in light of the position's high visibility and new student fee increases. He believed that the decision was likely to have a demoralizing and politically destabilizing effect on the University.

Regent Ruiz believed that Mr. Darling had proved himself to be a very valuable resource to the University.

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

20. **REPORT FROM SPECIAL MEETING REGENTS ONLY SESSION ON TOTAL COMPENSATION FOR EXECUTIVE VICE PRESIDENT–BUSINESS OPERATIONS, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following from its March 14 Regents Only Session meeting:

A. That an annual salary of $400,000 be approved, along with the additional compensation related items listed below, for Katherine (Katie) N. Lapp as Executive Vice President–Business Operations, 100 percent, effective no later than May 1, 2007.

B. 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 Ms. Lapp from her current location to Oakland.

C. Within policy, a relocation allowance of $90,000 (23.7 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. If she terminates employment, any remaining payments under this program will be forfeited.

D. As exception to policy, reimbursement of up to four round trip coach class airfares between San Francisco Bay Area and New York during Ms. Lapp's first 12 months of employment if needed to complete the sale or other arrangements necessary to take care of her current home in New York City.

Additional compensation and related items include:

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

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 item and voted to present it to the Board.

21. REPORT FROM SPECIAL MEETING CLOSED SESSION ON INDIVIDUAL SALARY ITEMS

The Committee forwarded for approval the following from its March 13 Special Meeting Closed Session:

A. ***Contract Compensation for Jeff Tedford as Head Football Coach, Berkeley Campus***

Approval of the following revised compensation terms for Head Coach of Football, Jeff Tedford, Berkeley campus, 100 percent time. Pending approval by The Regents of these compensation terms, Mr. Tedford's revised contract will be effective January 1, 2007 and terminate on December 31, 2013 unless extended one year for each season (including the bowl season) that the University of California, Berkeley Football team wins nine games. Upon such extension all terms and conditions of the contract will remain in place and unless otherwise agreed to in writing the compensation will remain as approved for the 2013 contract year.

The campus undertook negotiations with Mr. Tedford, to enhance and extend his current contract when he was contacted by an NFL team to fill their head coach position.

The following terms and conditions are reflected in the new proposed contract:

(1) Base Salary: This contract increases his annual base salary from $167,500 to no less than:

01/01/07 - 12/31/07	$225,000	(this represents an increase of 34.3 percent)
01/01/08 - 12/31/08	$225,000	no increase
01/01/09 - 12/31/09	$225,000	no increase
01/01/10 - 12/31/10	$225,000	no increase
01/01/11 - 12/31/11	$225,000	no increase
01/01/12 - 12/31/12	$225,000	no increase
01/01/13 - 12/31/13	$225,000	no increase

(2) Talent Fee: This contract increases his annual talent fee from $1,332,500 to a guaranteed talent fee of:

01/01/07 - 12/31/07	$1,575,000	(this represents an increase of 18.2 percent)
01/01/08 - 12/31/08	$1,575,000	no increase
01/01/09 - 12/31/09	$1,575,000	no increase
01/01/10 - 12/31/10	$1,575,000	no increase
01/01/11 - 12/31/11	$1,575,000	no increase
01/01/12 - 12/31/12	$1,575,000	no increase
01/01/13 - 12/31/13	$1,575,000	no increase

In addition, in the event the team, during the term of this employment contract, plays in a BCS Bowl Game, the base annual talent fee shall increase by $50,000 for the contract year and all subsequent contract years in the term of this contract.

(3) Retention Bonus: The revised contract discontinues his deferred compensation at $500,000 per year and implements a Retention Bonus.

If Coach is employed continuously as Cal Head Football Coach from 01/01/07 through the completion of the 2008 football season, including post season play, on January 8, 2009 Coach will receive $1,000,000.

If Coach is employed continuously as Cal Head Football Coach from 01/01/07 through the completion of the 2011 football season, including post season play, on January 8, 2012 Coach will receive $1,500,000.

If Coach is employed continuously as Cal Head Football Coach from 01/01/07 through the completion of the 2013 football season, including post season play, on January 8, 2014 Coach will receive $1,000,000.

In addition, in the event the team, during the term of this employment contract, plays in a BCS Bowl Game, the retention bonus shall increase by $50,000 for the season/year in which the game(s) is played and all subsequent years remaining in the contract.

In the event Coach becomes unable to provide services described in contract and contract is terminated, Coach or his assigns shall receive pro-rata portion of the retention bonus per contract language.

(4) Signing Bonus: A signing bonus of $1,000,000 will be paid upon full execution of the contract addendum.

This bonus must be repaid within 60 days by Mr. Tedford if he does not complete the 2007 football season.

(5) Additionally, this contract provides opportunity to earn supplemental compensation for accomplishments of up to $375,000 per annum, as detailed below.

In the event the team, during the term of this Employment Contract, accomplishes the following, Mr. Tedford shall receive supplemental compensation during the contract year in which the accomplishment occurs as follows:

Accomplishment	Amount
National Championship	
Team earns National Championship (AP or Coaches' Poll)	$150,000
Post Season Play (The highest of the following:)	
Team earns or ties for the Pac-10 Championship; or	$75,000
Team participates in a BCS Bowl, but does not win the Pac-10; or	$50,000
Team participates in a non BCS Bowl game	$25,000
Regular Season Achievements	
Team wins nine games during the regular season	$ 25,000
Coaching Achievements (The highest of the following:)	
Coach is named National Coach of the Year; or	$100,000
Coach is named Pac-10 Coach of the Year	$50,000
Support of Educational Objectives	
At the discretion of the Athletic Director, for maintenance and/or improvement in current team cumulative GPA and NCAA APR statistics (2.80 team GPA/950 APR) Coach may receive up to:	$25,000

f. Other Incentive Pay has additional annual income potential. $520,000

Based on performance of Coach, annual non-base building bonus as determined by the Athletic Director during Contract Year 1 (01/01/07-12/31/07) and Contract Years 4-5 (01/01/10-12/31/11) $4,000 - $10,000

Based on performance of Coach, annual non-base building bonus as determined by the Athletic Director during Contract Year 2 and 3 (01/01/08-12/31/08 and 01/01/09-12/31/09)	$14,000- $20,000

The Stadium Renovation Bonus has been modified from the original contract as follows:

• Coach remains as Head Cal Football Coach until team fully occupies the Simpson High Performance Center (amount due within 30 calendar days following game).	$250,000
• Coach remains as Head Cal Football Coach on the date team plays its first home football game subsequent to the completion of the West Side Improvements (amount due within 30 calendar days following game).	$250,000

Termination Clause:
This contract contains a penalty clause for early termination. If Mr. Tedford terminates before the expiration of the agreement and before the football program fully occupies the Student-Athlete High Performance Center, he shall pay, within 30 days of leaving employment, $150,000 for each contract year remaining in the agreement, inclusive of the year he leaves. If Mr. Tedford terminates before the expiration of the agreement and after the football program fully occupies the SAHPC, he shall pay, within 30 days of leaving employment, $300,000 for each contract year remaining in the agreement, inclusive of the year he leaves.

Furthermore, once the team fully occupies the Simpson High Performance Center, Mr. Tedford agrees that he will not be employed by any Pac-10 school during the term of this contract.

If the University terminates the contract early without cause, the campus will owe the base salary, retention bonus, and talent fee in amounts noted above, paid out in monthly installments, and any additional earned bonus income as set out by the contract. The University will not be responsible for paying unearned bonus/stipend income in this circumstance. If Mr. Tedford secures employment during this time, these payments will be reduced by such amounts.

The maximum total potential payout under this contract occurs in year five in the amount of $4,285,000. Payment of this amount is dependent upon

Mr. Tedford achieving all goals, including all those in the "Accomplishments" section, above.

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

Additional elements of compensation currently provided and will continue to be provided include:

- Per contract, 20 working days of vacation at the beginning of each contract year. Coach may not have more than 40 working days of accrued vacation leave at any time during the employment contract. When 40 days of accrued vacation is reached, Coach will cease to earn additional vacation leave until accrued vacation balance is reduced to 20 working days.
- Per contract and policy, 12 days of sick leave during each twelve-month period of the contract.
- Per policy, eligible for standard Health and Welfare benefits.
- Consistent with practice, two courtesy vehicles will be provided. These courtesy vehicles may be withdrawn at any time at the sole discretion of the Director-Intercollegiate Athletics.
- Country Club Membership with a value of approximately $7,080.
- Football Tickets – 30 season and 5 parking passes with a potential value of approximately $10,000.
- In accordance with University policies and regulations governing travel and subject to approval by the Athletics Director, University will pay spouse travel for required events outside the San Francisco Bay Area.

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.

Committee Chair Hopkinson emphasized that the source for Mr. Tedford's compensation is solely donor funds. The General Counsel will draft a provision that outlines the various benefits he would forfeit if terminated by cause or if he voluntarily resigns.

B. ***Appointment Salary for Timothy J. Recker as Director–Private Equity Investments, Office of the Treasurer***

Approval of the following items in connection with the appointment of Timothy J. Recker as Director–Private Equity Investments, Office of the Treasurer:

(1) Appointment of Director–Private Equity Investments (SLCG grade 107 minimum $167,600, midpoint $212,700, maximum $257,800).

(2) Annual base salary of $207,000, 100 percent time.

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

(4) Per policy, $51,750 (25 percent) lump sum relocation allowance, subject to a repayment requirement in the event that Mr. Recker resigns within the first four years of employment.

(5) Per policy, reimbursement of 50 percent of the actual moving expenses up to $7,500.

(6) Exception to policy, one house-hunting trip, not to exceed four days for Mr. Recker and his spouse. Coach air fare, meals and lodging will be reimbursed up to $2,500. This is an exception as travel to seek housing applies only to members of the Senior Management Group and this position is not a member of that group.

(7) Exception to policy, participation in the Mortgage Origination Program Loan (MOP). This is an exception as this loan program applies to members of the Academic Senate or those who hold an equivalent title and members of the Senior Management Group. This is an exception since the position is classified as Management and Senior Professional.

(8) Effective April 9, 2007 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.

C. ***Retention Increase for Rebecca Stafford as Investment Officer–Alternative Investments, Office of the Treasurer***

Approval of the following items in connection with the retention increase for Rebecca Stafford as Investment Officer–Alternative Investments, Office of the Treasurer:

(1) Retention increase of $22,853 (17.8 percent) to bring her base salary from $128,547 to $151,400 (SLCG Grade 104 minimum $120,400, midpoint $151,400, maximum $182,400).

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

(3). 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.

D. ***Retention Increase for David Hughes as Investment Officer–Externally Managed Investments, Office of the Treasurer***

Approval of the following items in connection with the retention increase for David Hughes as Investment Officer, Office of the Treasurer:

(1) Retention increase of $22,800 (17.7 percent) to bring his base salary from $128,600 to $151,400 (SLCG Grade 104 minimum $120,400, midpoint $151,400, maximum $182,400).

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

(3) 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.

E. ***Retention Increase for Thomas Lurquin as Investment Officer–Private Equity, Office of the Treasurer***

Approval of the following items in connection with the retention increase for Thomas Lurquin as Investment Officer, Office of the Treasurer:

(1) Retention increase of $19,360 (14.2 percent) to bring his base salary from $136,240 to $155,600 (SLCG Grade 105 minimum $134,400, midpoint $169,600, maximum $204,700).

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

(3) Effective March 1, 2007 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.

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

The meeting adjourned at 12:30 p.m.

Attest:

Acting Secretary