The Regents of the University of California

COMMITTEE ON COMPENSATION
January 16-17, 2008

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

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

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

The meeting convened at 9:45 a.m. with Committee Chair Lozano presiding.

1. **APPROVAL OF INDIVIDUAL SALARY ITEMS DISCUSSED IN CLOSED SESSION**

The Committee forwarded for approval the following from its January 15, 2008 Closed Session:

A. ***Appointment Salary for Sandra H. Kim as Executive Director–External Finance, Office of the President***

Approval of the following items in connection with the appointment of Sandra H. Kim as Executive Director–External Finance, Office of the President:

(1) Appointment salary of $225,000 as Executive Director–External Finance, Office of the President, slotted at SLCG 107: (Minimum $172,300, Midpoint $218,700, Maximum $265,000). This is a 100 percent time appointment.

(2) Effective January 17, 2008, with employment start date to be after that date.

(3) Incentive bonus up to 10 percent of base salary determined relative to accomplishments of annual goals and objectives, which will be discussed and agreed upon each year.

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

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

B. ***Appointment Salary for Katherine A. Yelick as National Energy Research Scientific Computing Center Division Director–Faculty, Lawrence Berkeley National Laboratory***

Approval of the following items in connection with the appointment for Katherine A. Yelick as National Energy Research Scientific Computing Center Division Director–Faculty, Lawrence Berkeley National Laboratory (LBNL):

(1) As an exception to policy, an increase in the amount of 42.8 percent ($66,540) of her January 1, 2008, annualized base salary of $155,466, for a total annual salary of $222,006 (LBNL Grade N16: Minimum, $170,387, Midpoint, $262,017, Maximum, $353,647).

(2) If an adjustment to the academic base salary is made during the term of this ongoing appointment, the 42.8 percent increase will be recalculated against the new academic base salary to provide a new annualized base salary.

(3) This appointment, effective January 1, 2008, is at 80 percent time throughout the year for Lawrence Berkeley National Laboratory and 20 percent time UC Berkeley, pending Regents' approval. After the first year, this appointment will be at 50 percent time during the academic year (simultaneous 50 percent faculty appointment at UCB during the academic year) and at 100 percent time during the three summer months.

Additional items of compensation include:

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

- Per policy, while her academic appointment is at 50 percent or more Ms. Yelick will accrue sabbatical credits as a faculty member. During the course of 2008 while her academic appointment is less than 50 percent, she will not accrue sabbatical credits.

The source of funds for payment of these LBNL related compensation items is the Department of Energy, as provided under the University's contract with it.

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 Extension for Harry Le Grande as Acting Vice Chancellor–Student Affairs, Berkeley Campus***

Approval of the following items in connection with the extension of the stipend for Harry Le Grande as Acting Vice Chancellor–Student Affairs, Berkeley campus:

(1) As an exception to policy, administrative stipend of 22.7 percent ($36,344), to increase his base salary of $160,105, for an annual salary of $196,449 (SLCG Grade 108: Minimum $192,300, Midpoint $244,900, Maximum $297,400). Policy provides for an administrative stipend up to 15 percent for 12 months.

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the administrative stipend will be recalculated based on the new base salary such that it remains at 22.7 percent of the new base salary.

(3) As an exception to policy, the stipend extension will be effective January 1, 2008 and continue through December 31, 2008 or until a new Vice Chancellor assumes the position, whichever occurs first. This change extends the acting appointment beyond the one year allowed by policy, for a total duration of two years. This extension will allow him to serve until the search is concluded.

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. ***Stipend Extension for Christina Maslach as Acting Dean–Undergraduate Division, Berkeley Campus***

Approval of the following items in connection with the extension of the stipend for Christina Maslach as Acting Dean–Undergraduate Division, Berkeley campus:

(1) Per policy, administrative stipend of 15 percent ($27,000), to increase her base salary of $180,300, for an annual salary of $207,300 (SLCG Grade 106: Minimum $154,200, Midpoint $195,200, Maximum $236,100).

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the stipend will be recalculated based on the new base salary such that it remains at 15 percent of the new annual base salary.

(3) As an exception to policy, this acting appointment will be effective January 1, 2008 and continue through June 30, 2008 or until a new Dean assumes the position, whichever occurs first, pending approval by the Regents. This change extends the acting appointment, with stipend, beyond the one year allowed by policy, for a total duration of two years. This extension will allow her to serve until the search is concluded.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.
- Per policy, accrual of sabbatical credits as a member of faculty.
- Per policy, ineligible for participation in the Senior Management Supplemental Benefit Program due to dual appointment 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.

E. ***Stipend Extension for Diana Wu as Acting Dean–University Extension, Berkeley Campus***

Approval of the following items in connection with the extension of the stipend for Diana Wu as Acting Dean–University Extension, Berkeley campus:

(1) Per policy, administrative stipend of 15 percent ($19,700), to increase her annual base salary of $131,600, for an annual salary of $151,300 (SLCG Grade 105: Minimum $138,200, Midpoint $174,300, Maximum $210,400).

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the administrative stipend will be recalculated based on the new base salary such that it remains at 15 percent of the new annual base salary.

(3) As an exception to policy, this acting appointment will be effective February 1, 2008 and will continue until December 31, 2008, or until a permanent Dean assumes the position, pending approval by the Regents. This change extends the acting appointment, with stipend, beyond the one year allowed by policy, for a total duration of one-and-a-half years.

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.

F. ***Stipend Extension for Donald A. Cooksey as Acting Dean–College of Natural and Agricultural Sciences, Riverside Campus***

Approval of the following items in connection with the stipend extension for Donald A. Cooksey as Acting Dean–College of Natural and Agricultural Sciences, Riverside campus:

(1) As an exception to policy, an administrative stipend of 41 percent ($45,800), to increase his annual (12-month) professorial base salary of $111,800, for a total annual salary of $157,600 (SLCG Grade 108: Minimum $192,300, Midpoint $244,900, Maximum $297,400). Policy provides for an administrative stipend up to 15 percent for 12 months.

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the 41 percent stipend will be recalculated against the new annualized academic base salary.

(3) As an exception to policy, this appointment will be effective March 12, 2008 and will continue through March 11, 2009, or until the appointment of a permanent Dean–College of Natural and Agricultural Sciences, whichever occurs first, pending approval by the Regents. This change extends the acting appointment beyond the one year allowed by policy, for a total

duration of up to two years. This extension allows Mr. Cooksey to serve until the search is concluded.

Additional items of compensation include:

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

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

G. ***Stipend for A. Paul Alivisatos as Acting Deputy Laboratory Director, Lawrence Berkeley National Laboratory***

Approval of the following items in connection with the stipend for A. Paul Alivisatos as Acting Deputy Laboratory Director, Lawrence Berkeley National Laboratory (LBNL):

(1) Per policy, a stipend of 10 percent ($29,379), in addition to his current base salary of $293,794, for an annual salary of $323,173 (LBNL Grade N17: Minimum $260,400, Midpoint: $334,596, Maximum: $408,696).

(2) If an adjustment to the academic base salary is made during the term of this ongoing appointment, the 10 percent increase will be recalculated against the new academic base salary to provide a new annualized base salary.

(3) Effective December 1, 2007 through November 30, 2008, or until a new Deputy Laboratory Director is appointed, whichever occurs first upon approval of the Regents.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.
- Per policy, not eligible for participation in the Senior Management Supplemental Benefit Program due to dual faculty appointment.

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

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

H. ***Retention Increase for Thomas J. Mitchell as Vice Chancellor–University Advancement, Irvine Campus***

Approval of the following items in connection with a retention increase for Thomas J. Mitchell as Vice Chancellor–University Advancement, Irvine campus:

(1) Per policy, retention increase of $24,400 (9.7 percent), to increase his annual base salary from $250,600 to $275,000 (Salary Grade 108: Minimum $192,300, Midpoint $244,900, Maximum $297,400).

(2) This increase is effective December 1, 2007.

Additional items of compensation continue to include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.
- Per policy, continued participation in the Senior Management Supplemental Benefit Program at the rate of 5 percent.
- Per policy, annual automobile allowance of $8,916.
- As an exception to policy, as part of a previous retention package in 2003, participating in Mortgage Origination Program with a reduced interest rate differential reducing the standard MOP rate to 3 percent. The campus is providing Mr. Mitchell with a 5 percent differential fixed for a period of 12 years (beginning August 27, 2003).
- Per policy, Country Club Membership with a value of approximately $7,620.

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

I. ***Salary Adjustments for Senior Managers with a Dual Professorial Appointment, San Diego Campus***

Approval of the following salary adjustments for three Senior Managers with dual professorial appointments at the San Diego campus to achieve a 15 percent differential between their Senior Manager salary and their professorial salary, as follows:

(1) Steve Adler, Provost of Warren College, to receive a salary adjustment of $18,900 (15.6 percent), to bring his annual base salary to $140,200.

(2) Allan Havis, Provost of Thurgood Marshall College, to receive a salary adjustment of $21,400 (17.4 percent), to bring his annual base salary to $144,300.

(3) Mark H. Thiemens, Dean Physical Sciences, to receive a salary adjustment of $28,000 (11.8 percent), to bring his annual base salary to $265,400.

(4) In the event the professorial salaries of those listed above are adjusted, the Senior Manager salary will be adjusted accordingly to ensure a 15 percent differential is achieved.

(5) Effective retroactive to October 1, 2007.

This item reflects only compensation related to merit and equity adjustments recommended for approval. Approved actions in this item will be released to the public upon approval of the Regents.

J. ***Retention Increase for Robert Sullivan as Dean–Rady School of Management, San Diego Campus***

Approval of the following items in connection with the retention of Robert Sullivan as Dean–Rady School of Management, San Diego Campus:

(1) Retention increase of $56,300 (19.7 percent), to increase his total annual salary from $286,500 to $342,800 (rounded to the nearest one hundred dollars).

(2) Effective January 1, 2008.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance,

Executive Business Travel Insurance, and Executive Salary Continuation for Disability.
- Per policy, accrual of sabbatical credits as a faculty member.

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. ***Supplemental Home Loan Program Eligibility for Felicia McGinty as Vice Chancellor–Student Affairs, Santa Cruz Campus***

Approval of the following item in connection with the appointment of Felicia McGinty as Vice Chancellor–Student Affairs, Santa Cruz campus, 100 percent time:

- Per policy, participation in the Supplemental Home Loan Program.

This request is in response to an immediate need for Ms. McGinty to secure financing for a home loan purchase.

The compensation described above is an amendment to compensation approved by the Regents in August 2007. This amendment, in addition to the previously approved item, shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments.

L. ***Incentive Pay for John E. Plotts as Assistant Vice President–Financial Management, Office of the President***

Approval of the following items in connection with the performance bonus pay for John E. Plotts as Assistant Vice President–Financial Management, Office of the President:

(1) A performance incentive payment of $23,611 (10 percent). This payment, in addition to the base salary of $236,108, brings the total cash compensation to $259,719.

(2) Effective upon approval by the Regents.

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

Additional items of compensation include:

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

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

M. ***Incentive Pay for Daniel C. Sampson as Assistant Vice President–Financial Controls and Accountability, Office of the President***

Approval of the following items in connection with the performance incentive payment for Daniel C. Sampson as Assistant Vice President–Financial Controls and Accountability, Office of the President:

(1) As approved by the Regents in an appointment action in November 2006, a performance incentive payment of $21,320 (10 percent).

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

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

Additional items of compensation currently provided include:

- Annual base salary of $213,200.
- 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.

N. ***Change in Title, Interim Re-Slotting of Position, and Salary Adjustment for Debora Obley as Associate Vice President–Budget Operations, Office of the President***

Approval of the following items in connection with the change in title, interim re-slotting, and salary adjustment for Debora Obley as Associate Vice President–Budget Operations, Office of the President:

(1) Change in title and interim re-slotting of the position from Assistant Vice President–Budget Development and External Relations, at SLCG 104, to Associate Vice President–Budget Operations, at SLCG 106: (Minimum $154,200, Midpoint $195,200, Maximum $236,100).

(2) Salary adjustment of $33,036 (20 percent), to bring annual base salary to $198,300.

(3) Effective February 1, 2008.

Additional items of compensation include:

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

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.

O. ***Corrections to Additional Compensation for Participants of Bonus and/or Incentive Plans for Fiscal Year 2006-07***

Approval of the following corrected incentive award amounts proposed by the San Francisco campus for three senior managers in the Senior Leadership Compensation Group. The corrected award payments reflect $8,050 over already approved award payments.

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

Last Name	First Name	Title	Annual Base Salary as of 06/30/07	Incentive %	Incentive Award Amount
Caffey	Marie P.	Dir, Psychiatry and LPPI Administration	$189,900	12.2%	$23,168
Hooven	Martha	Dir, Admin. Medicine	$212,800	14.8%	$31,494
Rein	David	Dir, Faculty Medical Group	$169,600	14.6%	$24,762

P. ***Corrections to Merit and Equity Increases for Certain Officers of the University, Officers of The Regents, and Other Senior Managers of the University, Medical Centers, and for the Director and Certain Senior Management Personnel at Lawrence Berkeley National Laboratory***

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

This item reflects only compensation related to merit and equity adjustments recommended for approval.

Q. ***Extension of Temporary Housing Subsidy and Commuting Expenses for Joyce Justus as Interim Vice Provost for Educational Relations***

Exceptional approval of the following items in connection with the housing subsidy and commuting expense extension for Joyce Justus under her temporary recall appointment as Vice Provost for Educational Relations:

(1) Continuation of the housing subsidy for the cost of living in Oakland weekdays, estimated to be $64,000 for the period May 1, 2007 through June 30, 2008.

(2) Continuation of reimbursement for commuting costs to travel from San Diego to Oakland, estimated to be $30,000 for the period May 1, 2007 through June 30, 2008. Both of these amounts are adjusted upwards for tax purposes.

Additional items of compensation include:

- Annual base salary of $167,500.

- Ms. Justus will not receive any other standard or senior management benefits other than retirement income and retiree medical benefits.

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

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

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

The Committee forwarded for approval the following from its January 15, 2008 Regents Only Session:

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

The annual salaries shown below for each individual were effective October 1, 2007, as presented to and approved by the LANS Executive Committee Governing Board. The following table confirms the annual salary to be paid to the individuals, the amount reimbursed by NNSA, and the amount to be reimbursed by UC. The total annual amount proposed for reimbursement by UC is $74,836, and the source of funds will be from the fee earned by the University under the terms of the LANS contract.

Proposed UC Annual Reimbursements for Federal FY2008
(October through September)

LANS Key Personnel from UC	Annual Salary Effective Oct 1, 2007	NNSA reimbursed amount	UC reimbursed amount
Anastasio, M.	$410,000	$378,420	$31,580
Wallace, T.	$309,000	$286,333	$22,667
Neu, M.	$244,000	$223,411	$20,589
Total			**$74,836**

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

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

3. **APPROVAL OF ADJUSTMENTS TO SELECTED PROVISIONS OF THE CLINICAL ENTERPRISE MANAGEMENT RECOGNITION PLAN**

The President recommended approval of the following actions, effective July 1, 2008, for the 2008-09 plan year:

A. Revise the Clinical Enterprise Management Recognition Program (Plan), as indicated below, to bring the Plan into alignment with competitive market practices and to place greater emphasis on performance outcomes of participants.

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

PLAN DESIGN CHANGES

There are four key Plan design features being recommended for change. These recommended changes will better align participants' actual award payouts with performance outcomes. Calculations of individual award payouts will be determined based on the level of each participant's achievement of pre-established goals and objectives. Total payouts will in no case exceed the sum of maximum award levels for all participants. In addition, these changes will make the Plan design more consistent with market prevalent practices based on the Mercer 2007/2008 US Compensation Planning Survey, pertaining to pay practices in the Healthcare industry and in Government/Nonprofit. These recommended changes include:

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

Financial Attainment Required
Setting financial attainment levels at each location, instead of at an overall UC System level, allows for more direct alignment to the mission and goals of each enterprise and for more direct influence in meeting the target set for each enterprise. These levels of financial attainment will be reviewed by each Clinical Enterprise annually in conjunction with the Vice President–Health Sciences and Services, the Executive Vice President and Provost, the

Executive Vice President for Business Operations, and the Executive Vice President and Chief Financial Officer, and approved by the President.

Attainment of both financial and non-financial performance targets will provide full funding for award payouts. In the event that financial performance goals are not attained, but some or all non-financial goals exceed targeted performance levels, a pro-rated payout can be made on the basis of the defined award opportunity levels, provided that the institution's net cash flow remains positive before intra-institutional transfers and after the award payout.

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

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

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

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

- Financial Performance
- Quality Improvements
- Patient Satisfaction
- Key Achievements against the Strategic Plan

- People and other Resource Management

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

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

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

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

REVISED PLAN SUMMARY

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

Eligibility

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

Award Levels

- Plan participants are assigned threshold, target, and maximum recognition award levels as part of their competitive total cash compensation package. These award levels serve to motivate and drive individual and team performance toward annually established goals.

- Award levels are determined based, in part, on the level within the organization. (New for Plan Year 2008)
- Target awards should be calibrated to expected results, while maximum awards should be granted only for superior performance against established measures. Actual awards may not exceed the maximum award level.

Performance Measures

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

Mr. Dennis Larsen, Executive Director–Senior Management Compensation, Policy, and Recruiting, noted that, in compliance with the Principles governing Executive Compensation Programs, discussions of and actions on executive compensation programs must occur in open committee session. Final action regarding such programs occurs in open session of the Board at a meeting held no sooner than twenty days following the meeting at which a recommendation requiring Board approval is approved by the committee. This proposal is substantially the same as one discussed at the November meeting except that language has been added to address questions raised at that time:

- The President now shows as the approval authority.
- Language has been added to clarify the financial metrics necessary for establishing payout of awards.
- All other elements of the November presentation remain unchanged.

The new plan addresses changes to the following features:

- Eligibility Determination.
- Financial Attainment Required to fund plan.
- Award Opportunity and payout levels.
- Performance Measures.

Eligibility is generally defined as senior leadership of a clinical enterprise. Chancellors may recommend participation for other key senior management by submitting a request to the Provost and Executive Vice President, Academic and Health Affairs for review and the President for approval. This centralized oversight will provide consistency in participation across the entire UC Clinical Enterprise system.

Financial performance measures necessary to trigger funding and award payouts will be established through consultation with the medical centers, the Vice President–Health Sciences and Services, the Executive Vice President and Provost, the Executive Vice President–Business Operations, and the Executive Vice President and Chief Financial Officer. The President will approve the plans.

Financial targets will be established for each location. This allows for more direct alignment to the mission and goals of each enterprise and for more direct influence in meeting the target set for each enterprise. The CEOs may also establish systemwide goals to recognize critical partnership opportunities.

Full plan funding will occur upon reaching a target level of financial attainment, which will be tied to meeting budgeted financial operating performance for the Clinical Enterprise.

In the event that financial performance goals are not attained but some or all non-financial goals exceed targeted performance levels, a pro-rated payout may be made on the basis of the defined award opportunity levels, provided that the institution's net cash flow remains positive before intra-institutional transfers and after the award payout.

Financial attainment at this level will allow for awards to be paid out in recognition of overachievement of previously established non-financial goals, such as quality of patient care or patient satisfaction. This floor level of financial performance would not trigger funding or payouts for attainment of financial performance goals.

Award opportunity will be redefined to allow for differentiation based on level within the organization as noted below:

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

At some campuses there may be organizational structures, or peer relationships, that would make it appropriate for other positions (e.g., Physician in Chief) to be in the same award opportunity level as the CEO. The revised Plan would allow for this in the same manner as "additional participants," whereby recommendations submitted by the Chancellor would be reviewed by the Provost and Executive Vice President and approved by the President.

Under the current plan, award payments in 2007 totaled $2.9 million. Assuming a static population and using the 2007/08 adjusted salaries, award payments would be approximately $3.1 million at the new target payout levels. If maximum performance is attained and maximum awards paid out, this would total $4.9 million.

Regent Garamendi asked how the expectations for performance are set. Executive Director Larsen responded that they would be established in advance of each plan year. The goals will be both financial and non-financial and will be approved by the President. The goals and objectives are for target payout; over-achievement will allow for a maximum award and a floor will allow for a less than target payout. There is a base plus an incentive or bonus; the base is tied to satisfactorily completing the requirements of that position; the incentive is tied to the five factors listed.

Faculty Representative Croughan noted that UC's five medical centers have been highly productive, cost-efficient entities that have worked together to gain purchasing and contracting power. When very high-level employees are lost, the cost to the institution is in the millions. She believed that the proposed incentive program would be very cost-efficient.

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

4. **PROPOSED PERFORMANCE MANAGEMENT REVIEW PROCESS FOR MEMBERS OF THE SENIOR MANAGEMENT GROUP**

The proposed principles are the result of a collaborative effort of the Joint Academic Senate/Administration Task Force that was formed to review the merit review process for senior administrators. The Task Force is comprised of campus faculty representation, members from the Academic Senate, Office of the President, and campus administration.

To provide a standard Universitywide format and rating system for senior administrators, the following scale will be incorporated into the review:

- Exceptional Performance well exceeds expectations and is consistently outstanding.
- Above Expectations Performance is consistently beyond expectations.
- Solid Performance consistently fulfills expectations and at times exceeds expectations.
- Improvement Needed Performance does not consistently meet expectations.
- Unsatisfactory Performance is consistently below expectations. Deficiencies should be addressed as noted in the performance appraisal.

Executive Director Larsen provided further details about the program, reporting that these principles were developed to provide a systematic process for establishing goals and expectations, and reviewing the accomplishments of the Senior Administrators of the University. Participants in this process include Senior Administrators of the University at the Office of the President and the campuses, medical centers and national laboratories, including the President, the Provost and Executive Vice President, Chancellors, Vice Chancellors, Senior Vice Chancellors, Executive Vice Chancellors, Executive and Senior Vice Presidents and all other levels of Vice Presidents, the Chief Executive Officers at the medical centers, and Directors and Deputy Directors of the Department of Energy laboratories. Deans are excluded from this process, since they are subject to the regular academic review process. Subject to review and approval by the Regents, Principal Officers of The Regents may be included in this or a similar plan at a future date.

There are two review cycles and programs being proposed:

- A five-year leadership review conducted by the manager, collecting feedback and input from a variety of constituents. The concept employed for this review is similar to the current Chancellor, Dean, and faculty review, and similar to best practices for 360-degree reviews.
- An annual performance evaluation conducted by the manager, assessing contributions, performance factors, and competencies over the preceding performance period. The concepts inherent in this review are consistent with current practices on some campuses and best practices in performance management programs.

Annual Performance Review factors that will be considered include:

- Stated objectives and progress toward their attainment.
- Program development and other significant accomplishments.
- Efforts in support of the University's diversity and equal opportunity and affirmative action program.
- Performance of managerial and/or professional responsibilities.
- Budget and resources management.
- Collaboration and teamwork.

This program also proposes a standard Universitywide format and rating system for assessing overall performance of Senior Administrators, applying a five-rating scale to the review.

Mr. Larsen reported that the consultation process with the campuses is under way. A recommendation is anticipated to be proposed at the March meeting.

Faculty Representative Brown applauded the proposal as an effective performance system that is critical to the excellence of the institution as well as the perception of fairness within it.

Regent Hopkinson observed that the proposed process was overdue. She advocated examining some of its elements with a view to incorporating them into annual reviews of the Regents' direct reports.

In response to a question asked by Regent Garamendi, Executive Director Larsen stated that both overall goals and objectives and yearly goals and objectives would be established against which individuals would be measured. These would be established by managers, by the Regents in the case of the President, and by the President in the case of the Chancellors. The nine factors would be weighted in advance. Regent Garamendi supported the use of a 360-degree evaluation process.

5. **UPDATE ON COMPETITIVE COMPENSATION AT THE UNIVERSITY OF CALIFORNIA: CHANCELLORS' PAY**

Committee Chair Lozano reported that the update on competitive compensation would provide insight into the competitive pressures confronting the University of California. Although this information applies specifically to Chancellors, the same competitive compensation challenges apply in varying degrees to other groups within UC. At the core of the issue of competitive pay lies the prospect of losing ground – not just related to pay but particularly an erosion in the quality of the institution. If UC is not able to bring salaries of faculty, staff, and administrators to market, UC's unrivaled quality will diminish. If the best talent cannot be recruited and retained by offering market-based compensation packages, UC's reputation will suffer.

Executive Director Larsen recalled that in November 2005 the Regents approved a conservative plan to bring all faculty and staff compensation to market over a ten-year period. Although the merits and equities of 2006 and 2007 provided slightly-above-market increases, the University continues to lag the market significantly, and little progress has been made to close the salary gap. Competitive pay and total remuneration are essential to attract and retain the quality talent necessary to maintain UC's reputation. Given the costs associated with closing the salary gaps for employees, however, and recognizing that the State is entering a period of fiscal constraint, action is not proposed at this time.

Executive Director Larsen provided detailed information relative to Chancellors' compensation at UC and insight into the University's market position. He noted that, although the majority of this information applies specifically to Chancellors, the same competitive compensation challenges apply in varying degrees to other groups within UC. The Regents have taken strong stands on this issue by committing to clear goals for bringing both faculty and staff up to market. In September, the Regents adopted a four-year program to increase faculty salaries through a combination of cost of living adjustments, individual market-based adjustments, and merit increases for individual academic achievement. Low-wage worker pay increases were granted in early 2007. Medical center senior leadership received equity increases this year as the first of two steps to reach market parity. This comes in conjunction with the ten-year plan to achieve market parity for all employees.

Mr. Larsen reported that University of California Human Resources and Benefits has sponsored a survey of Chancellors' compensation for many years, the latest results having been collected in July 2007. The 26 public and private institutions designated as appropriate comparators for the University of California by the California Postsecondary Education Commission (CPEC) are invited to participate in the survey. The data collected in the 2007 survey show that the UC Chancellors' average salary has continued to lag the market substantially. UC Chancellors' base salaries, after the routine 2007 merit and equity adjustments, now average $360,500. This is 30 percent behind the Full Comparison Group median salary of $518,700 and 34 percent behind the Comparison 8 Group median salary of $550,251.

UC Chancellors' salaries have lagged the market for many years. In a report dated October 2004 entitled, *Executive Compensation in California Public Higher Education, 2003-2004*, CPEC states in the section pertaining to the Chancellors at the University of California, "In 1996-97, the salary lag was at its lowest, dropping from 13.3 percent in 1995-96 to 7.4 percent in 1996-97. In 1997-98, however, the salary lag reached a high of 24.4 percent. Aggressive action taken by the Regents to implement both merit salary increases as well as market based equity adjustments reversed this sharp two-year increase, reducing the lag by half in 1999-00. Since that year, the gap has almost tripled and University of California Chancellors now earn salaries that are an average of 37.5 percent less than their comparators."

Since the compensation packages of these and other positions at these levels tend to be driven by the candidates' and incumbents' skills, experiences, and strengths, the compensation tends to be much more individually oriented than in lower level positions.

Executive Director Larsen introduced Mr. Bob Miller, of Mercer Human Resource Consulting, to present the details of the total remuneration analysis. Mr. Miller reported that recently, in a report published by the Bureau of State Audits on the compensation practices at California State University, the State Auditor recommended, "The board should consider total compensation received by comparable institutions, rather than just cash compensation, when deciding on future salary increases for executives, faculty, and other employees." In March 2005, Office of the President Human Resources and Benefits engaged Mercer to conduct an analysis of total remuneration. The review of total remuneration is an ongoing project, with new data and methodology being reviewed by the members of the University Committee on Faculty Welfare, the Office of the President, and others. Results of the updated study for 2007 are anticipated to be presented to the Regents in mid-2008.

Total remuneration analyses are valuable tools to display relative competitive position of overall compensation. The four components of total remuneration include the following:

- Total cash compensation (base salary, short-term incentives including clinical compensation).
- Health and Welfare Benefits (medical, dental, life insurance).
- Retirement Benefits (defined benefit and defined contribution retirement plans, and senior management supplemental benefit contributions, as applicable).
- Retiree Medical Benefits (post-retirement medical plans).

The calculation and assessment of value for the purposes of determining total remuneration can be complex. The valuation of total cash is reasonably straightforward and clear; however, valuation of benefits is much more complicated. Some of the elements can and should be valued and are included in the analysis. Other elements are more difficult to value or should not be included. For example, housing or housing allowances are provided by 88 percent of the competitive group. A house at University of Michigan in Ann Arbor provides the same benefit as a house provided to UCLA's Chancellor. The actual cost of a house in Brentwood, however, is three times the cost of housing in Ann Arbor.

Mr. Miller underscored the finding that, in the total remuneration study, total cash compensation for the Chancellors lags the market by 36 percent, while overall total remuneration including benefits lags by 22 percent.

Executive Director Larsen resumed his comments, noting that although the Chancellors' salaries are significantly behind market, salaries for other personnel groups also lag the market by varying degrees. For example, the 22,500 represented Professional and Support Staff, excluding Service Workers, are behind market by 16 percent, with a cost to close that gap estimated at $167 million. The 5,100 Management and Senior Professional Staff are 12 percent behind market, representing a cost of approximately $76 million. The 3,900 Service Workers and 22,200 non-represented Professional and Support Staff are both 10 percent behind market, representing a cost of $11 million and $150 million, respectively. The cost estimated to close the gap for Chancellors would be approximately $2 million. These examples represent a portion of all personnel groups at UC. Overall, the estimated cost to close the gap for all personnel groups is approximately $590 million. These costs are based on 2007 salaries and represent a single one-time action.

Mr. Larsen affirmed that the administration will continue to monitor and report to the Regents on the Chancellors' as well as other groups' position to market.

Regent Ruiz suggested dispensing with the current limit imposed on Chancellors with respect to their service on outside boards, many of which pay for that service, as a way of enhancing their salaries.

Regent Kozberg asked which of the major deficiencies revealed by the study deserve the Regents' initial focus. Mr. Miller believed it was the 30 percent lag in salaries. While having a retirement plan that produces a better than median competitive benefit is a nice feature, it does not offset living costs in California.

Regent Hopkinson noted that the study has put these issues in a context that will allow the Regents to move forward. She suggested as a next step developing a longer-term plan in order to improve the prospects of eventual success in correcting the problem.

Regent Gould stressed the urgency in moving forward and remedying the disparity, despite the current budget environment. He emphasized the Regents' responsibility to lead and to establish proper compensation for the campus leadership, and the imperative to recognize both their value and the necessary costs involved to retain them.

Regent Island shared Regent Gould's sense of urgency. He noted that the study provided no assessment of the risk of doing nothing or of moving too slowly. The data indicate that, in a competitive marketplace, highly competent, qualified leaders whose salaries lag the market by 30 percent will not likely stay in their positions for long. He underscored the idea that there will never be adequate money available; there will always be some barrier. If the risk is to lose high-performing leadership, increasing these salaries should be at the top of the list.

Regent Pattiz noted that the problem was one of politics and perception rather than economics. There are only ten Chancellors; to make a significant move in this area would represent a tiny portion of the University's budget. He advocated increasing their compensation immediately.

Chairman Blum reported that some Regents had been prepared to recommend substantial salary increases at this meeting; then the $400 million budget shortfall came to light. He reported also that the Chancellors decided unanimously that no such proposal should be on the agenda. He noted, however, that the issue reaches beyond the level of Chancellor. There is a substantial gap in faculty salaries, also. He recalled the current efforts to streamline the University's bureaucracy, which could provide savings that could be redirected across the board. Some progress has been made, but the effort requires the full cooperation of the Office of the President and the campuses. At the March meeting there will be a presentation by Provost Hume and Executive Vice President Lapp outlining the amount of savings anticipated over the next year. He believed that even in a time of budget stress, using savings derived by improving efficiency was a reasonable approach. The Regents' highest priority should be to retain the quality of the institution.

President Dynes recalled that he had chaired searches for eight Chancellors. In his experience, each recruitment undertaken requires an individual approach. The compensation associated with recruiting differs for each position, depending on whether the candidate comes from within the University or from outside. A formulaic approach would result in the exclusion of many outside candidates. He appealed to the Regents to move swiftly and to allow the flexibility to tailor compensation selectively.

Regent-designate Scorza stated that, while he fully supported bringing salaries to market levels, to do so while student fees are increasing, while there is no plan in place to seek alternative funding solutions for the University, and while clear budget priorities have not been established would be detrimental to students. He applauded the Chancellors for their stance, noting that it reflected their consideration for their students. He advocated considering the effect on the majority of any decisions that Regents make with respect to compensation levels.

Committee Chair Lozano noted that the role of the Regents is to establish priorities and that increasing compensation for Chancellors has become one of their highest; a plan must be developed to remedy the situation in a short period of time that will include identifying the appropriate funding source for accomplishing this. She noted that commitments have been made to other employee groups, also. She stated that, whether or not a recommendation can be formulated in time for the March meeting, the Committee will continue to keep the Regents informed as to the progress that is being made.

The Committee recessed at 10:55 a.m.

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The Committee reconvened at 11:00 a.m. on January 17, 2008, with Committee Chair Lozano presiding.

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

In attendance: Regents Allen, Bugay, Gould, Island, Kozberg, Lansing, Preuss, Ruiz, and Schilling, Regent-designate Shewmake, Faculty Representative Croughan, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Hume, Executive Vice Presidents Darling and Lapp, Vice Presidents Beckwith, Dooley, Foley, and Sakaki, Chancellors Bishop, Block, Blumenthal, Fox, Kang, Vanderhoef, and Yang, and Recording Secretary Bryan

6. **APPROVAL OF COMPENSATION FOR PATRICK J. LENZ AS VICE PRESIDENT–BUDGET, OFFICE OF THE PRESIDENT DISCUSSED IN REGENTS ONLY SESSION**

The Committee forwarded for approval the following from its January 16, 2008 Regents Only Session:

Approval of an annual salary of $272,500, along with the additional compensation related items listed below, for Patrick J. Lenz as Vice President–Budget, Office of the President, 100 percent, effective no later than February 25, 2008.

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

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

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

Additional compensation and related items include:

- Per policy, Administrative Fund for official entertainment and other purposes permitted by University policy.
- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance.

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

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

7. **APPROVAL OF INTERIM RE-SLOTTING AND SALARY ADJUSTMENT FOR DIANE M. GRIFFITHS AS SECRETARY AND CHIEF OF STAFF TO THE REGENTS DISCUSSED IN REGENTS ONLY SESSION**

The Committee forwarded for approval the following from its January 16, 2008 Regents Only Session:

Approval of the following items in connection with the interim re-slotting and salary adjustment for Diane M. Griffiths as Secretary and Chief of Staff to The Regents:

A. Change in slotting from SLCG grade 107 to SLCG grade 109: (Minimum $214,700, Midpoint $274,300, Maximum $333,700), as recommended by Mercer Human Resource Consulting.

B. As an exception to policy, a salary increase of $61,000 (26.1 percent), to bring her annual base salary from $234,000 to $295,000.

C. Effective January 1, 2008, pending approval by the Regents.

Additional compensation and related items currently provided 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, available to be exercised within a period not to exceed 24 months from date of employment.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University policy.
- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance and Executive Business Travel Insurance.
- As exceptions to policy as approved by the Regents at the March 2007 meeting, immediate eligibility upon retirement for the full University contribution for retiree health benefits and immediate eligibility for the senior management disability 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.

Faculty Representative Brown acknowledged that the action aims to enhance administrative support for the Regents, particularly by providing a level of analytical support to the Committee Chairs, and to strengthen the role of institutional advocacy, and that President Dynes supports the action. He reported, however, that among the Academic Senate there were concerns about likely role conflict with the presidency, confusion of responsibilities, and potentially diminished effectiveness of the President in policy making and advocacy. He asked the Regents and the President to monitor the interface between the two offices for signs of conflict and confusion, to prevent any diminished effectiveness of the presidency.

Regent Parsky voiced strong support for the recommendation. He believed that the role as described would benefit the University and help the Office of the President.

President Dynes acknowledged the potential for conflict between the role of the President and that of the Secretary and Chief of Staff and advocated monitoring the relationship. He believed, however, that the Regents need to feel confident that they are prepared and well versed in the day-to-day activities of the Office of the President and familiar with the initiatives that emanate from it.

Regent Hopkinson believed this action was one of many steps that should be taken to provide the oversight and input necessary for the University to function.

Regent Gould commented that in order to fulfill their fiduciary responsibilities the Regents need the support and involvement of a Chief of Staff, along with appropriate staff for that office.

Regent Preuss believed the position as redesigned would make the Regents' work more efficient.

Chairman Blum stated that, in her position as Secretary and Chief of Staff, Ms. Griffiths had greatly exceeded his expectations. She is widely respected in Sacramento, where she has long-established personal contacts. Most importantly, she has enhanced the Regents' understanding of the nature of the institution and has improved relations with the Office of the President.

Regent Lansing believed that the Regents had become more efficient and collaborative as a result of having worked with Secretary and Chief of Staff Griffiths.

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

The meeting adjourned at 11:15 a.m.

Attest:

Secretary and Chief of Staff