

The Regents of the University of California

**COMMITTEE ON COMPLIANCE AND AUDIT  
COMMITTEE ON GOVERNANCE**

November 19, 2009

The Committees on Compliance and Audit and Governance met jointly on the above date at Covell Commons, Los Angeles campus.

Members present:     Representing the Committee on Compliance and Audit: Regents Bernal, De La Peña, Makarechian, Ruiz, Stovitz, Varner and Zettel; Ex officio members Blum and Gould; Advisory members Hime and Simmons  
Representing the Committee on Governance: Regents Blum, Island, Kozberg, Lozano, and Varner

In attendance:       Regents Bass, Kieffer, Lansing, Marcus, Nunn Gorman, Pattiz, Reiss, and Yudof, Regents-designate Cheng and DeFreece, Faculty Representative Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Interim Provost Pitts, Executive Vice Presidents Darling and Taylor, Interim Executive Vice President Brostrom, Senior Vice President Dooley, Vice Presidents Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Fox, Kang, Katehi, White, and Yang, Interim Director Alivisatos, and Recording Secretary Johns

The meeting convened at 12:28 p.m. with Committee on Compliance and Audit Chair Ruiz presiding.

**AMENDMENT OF BYLAW 12.8, STANDING ORDERS 100.1, 100.2, AND 100.3, AND THE POLICIES ENTITLED CHARTER OF THE COMMITTEE ON COMPLIANCE AND AUDIT, STATEMENT OF EXPECTATIONS OF THE MEMBERS OF THE BOARD OF REGENTS, POLICY ON THE ASSOCIATE OF THE PRESIDENT AND THE ASSOCIATE OF THE CHANCELLOR, AND PRINCIPLES FOR REVIEW OF EXECUTIVE COMPENSATION**

The President recommended that, following service of appropriate notice, Bylaw 12.8, Standing Orders 100.1, 100.2, and 100.3, and the policies entitled Charter of the Committee on Compliance and Audit, Statement of Expectations of the Members of the Board of Regents, Policy on the Associate of the President and the Associate of the Chancellor, and Principles for Review of Executive Compensation be amended, as shown in Attachment 1. This Item itself constitutes the notice of proposed amendments that is required pursuant to Bylaw 30.1 and Standing Order 130.1. Final action to approve these amendments will be recommended at the January 2010 meeting.

In the event that the Regents take final action in January 2010 to approve both sets of amendments to Bylaw 12.8 and Standing Orders 100.2 and 100.3 proposed in the

recommendation to the Committees on Compensation and Governance (*Amendment of Bylaw 12.8 and Standing Orders 100.2, 100.3, 101.1 and 101.2 to Conform with Senior Management Group Compensation Policies and Other Regental Actions Regarding Executive Compensation*) and this recommendation, the amendments to those sections proposed in the recommendation to the Committees on Compensation and Governance shall become effective with the additional amendments proposed to those sections in this recommendation.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee on Compliance and Audit Chair Ruiz explained that this item amends the Charter of the Committee on Compliance and Audit and reflects the current structure, in which the Director of Internal Audit reports to the Senior Vice President/Chief Compliance and Audit Officer.

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

The meeting adjourned at 12:30 p.m.

Attest:

Secretary and Chief of Staff

**Additions shown by underscoring; deletions shown by strikethrough**

**BYLAW 12.8 Committee on Compensation**

The Committee on Compensation shall:

- a. On an ongoing basis, advise the Board on all matters pertaining to the elements of compensation and benefits for University employees to ensure that compensation and benefits policies, procedures, programs, and practices are fair, effective, clear, comprehensible, transparent, and accountable, and inspire the trust of the University community and the public.
- b. Assess the University's progress in achieving the goals of obtaining, prioritizing, and directing funds to increase salaries to achieve market comparability for all groups of employees over periods established by the Board.
- c. Review and advise the Board on all matters relating to the implementation of the Senior Leadership Compensation Policy, adopted by The Regents in November 2005.
- d. Undertake actions as necessary to carry out 12.8(a), (b), and (c), including:
  - (1) Conduct regular studies to examine the competitiveness of the compensation for faculty and all categories of administrative employees relative to comparable institutions;
  - (2) Review the compensation of members of the Senior Leadership Compensation Group which require Regental approval prior to review and approval by the Board;
  - (3) Review existing Regental policies on faculty and administrative employee compensation as well as the transparency of compensation practices and modify or establish new policies, as appropriate; and
  - (4) Review the annual report on senior management compensation and the annual report on outside professional activities by senior managers.
- e. Act in an advisory capacity to the President of the University with respect to appointment compensation for such Officers of the University as may be appropriate for consideration by the Committee.
- f. Recommend to the Board:
  - (1) All compensation of the following Officers of the Corporation and Officers of the University: Principal Officers of The Regents and their chief deputies, President of the University, Executive Vice Presidents, Senior Vice Presidents, other Vice Presidents, ~~University Auditor~~, Chancellors, Laboratory Directors and Directors of University hospitals; and

(2) The rates of compensation of Regents' Professors at salary rates above the approved range and the rates of compensation of University Professors at exceptional-above-scale salary rates. An exceptional-above-scale salary rate is defined as a salary rate that exceeds the maximum salary step of the applicable academic salary scale, as adjusted from time to time, by more than the percent difference between the maximum salary step of the Regular Ladder-Faculty Academic Year salary scale and the compensation approval level. The indexed compensation approval level shall be indexed annually in accordance with the Consumer Price Index, said percent increase to be reported annually to the Board.

(3) The rates of compensation of all other University personnel, except faculty other than Regents' Professors and University Professors whose annual full-time salary rate exceeds the Indexed Compensation Level. The Indexed Compensation Level for 2004-05 fiscal year is \$168,000 and thereafter shall be indexed annually in accordance with the Consumer Price Index, said percent increase to be reported annually to the Board.

(4) Consider and act upon the rates of compensation of University personnel holding staff positions in academic medical centers whose annual full-time salary rate exceeds the Indexed Compensation Level of \$168,000 for 2004-05 fiscal year. The Indexed Compensation Level shall be indexed annually in accordance with the Consumer Price Index, said percent increase to be reported annually to the Board.

- g. Consider and recommend to the Board on matters relating to academic and staff personnel policies and personnel programs and labor relations presented by the President of the University.
- h. Recommend to the Board on matters relating to professorial salary scales.
- i. Consider and recommend to the Board on matters concerning employee welfare benefit programs, including reports and recommendations presented by the President of the University relating to retirement systems for University employees.

#### **STANDING ORDER 100.1 Designation and to Whom Responsible**

- a. Officers of the University shall be the President of the University, Executive Vice Presidents, Senior Vice Presidents, other Vice Presidents, Associate Vice Presidents, Assistant Vice Presidents, ~~University Auditor,~~ Chancellors, Vice Chancellors, and ~~Directors and Deputy Directors~~ Director and Deputy Director of the Ernest Orlando Lawrence Berkeley National Laboratory, ~~the Ernest Orlando Lawrence Livermore National Laboratory, and the Los Alamos National Laboratory,~~ and Directors of University hospitals.
- b. The President shall be responsible directly to the Board. All other Officers shall be responsible to the President directly or through designated channels, with the exception of the General Counsel and Vice President for Legal Affairs and the Senior Vice

President - Chief Compliance and Audit Officer, both of whom shall have dual responsibility to the Board and to the President.

### **STANDING ORDER 100.2 Employment Status**

(a) Appointment and dismissal of the President of the University shall be by an affirmative vote of not less than a majority of the members of the Board.

(b) Appointment of the Executive Vice Presidents, Senior Vice President, other Vice Presidents, ~~University Auditor~~, Chancellors, and Laboratory Director ~~Directors~~ shall be voted by the Board upon recommendation of the President of the University following consultation with an appropriate Standing Committee of the Board, as determined by the President, or with a special committee established for that purpose. Appointment of other Officers of the University shall be made by the President and reported annually to the Board.

(c) Action to demote or dismiss a Chancellor or Chancellors, ~~Directors~~ Director of the Ernest Orlando Lawrence Berkeley National Laboratory, ~~the Ernest Orlando Lawrence Livermore National Laboratory, the Los Alamos National Laboratory, the General Counsel and Vice President for Legal Affairs, and the University Auditor~~ shall be voted by the Board upon recommendation of or following consultation with the President of the University.

(d) Action to demote or dismiss other Officers of the University shall be taken by the President of the University upon recommendation of or following consultation with appropriate Officers and shall be reported to the Board.

(e) Temporary appointments to Acting status in Officer of the University positions for periods not to exceed one year may be made by the President of the University. All such appointments shall be reported annually to the Board, provided, however, that appointments as Acting Chancellors ~~and or~~ Acting Director ~~Directors~~ of the Ernest Orlando Lawrence Berkeley National Laboratory, ~~the Ernest Orlando Lawrence Livermore National Laboratory, and the Los Alamos National Laboratory~~ shall be made by the President only when such appointments are necessary to meet emergency situations and shall be subject to confirmation by the Board at its next regular meeting.

(f) Minor changes in titles of Officers of the University may be approved by the President of the University. Any such changes shall be reported annually to the Board.

(g) Mutually agreeable changes in the effective date of appointments of Officers of the University may be approved by the President of the University. Any such changes shall be reported annually to the Board.

## **STANDING ORDER 100.3 Compensation**

- (a) Compensation of the President of the University shall be determined by the Board upon recommendation of the Committee on Compensation.
- (b) Compensation of the Executive Vice Presidents, Senior Vice Presidents, other Vice Presidents, ~~University Auditor~~, Chancellors, and Laboratory Director ~~Directors~~, including compensation upon appointment and subsequent changes in compensation, shall be determined by the Board upon recommendation of the President of the University through the Committee on Compensation. Compensation of other Officers of the University with annual salary rates below \$168,000 shall be determined by the President and reported annually to the Board. The compensation approval level shall be indexed annually in accordance with the Consumer Price Index, said percent increase to be reported annually to the Board.
- (c) Compensation of Officers of the University positions in Acting status appointed pursuant to the provisions of Standing Order 100.2(e) shall be determined by the President of the University. Any such compensation shall be reported annually to the Board, with the exception of compensation for Acting Chancellors and Acting Director ~~Directors~~ of the Ernest Orlando Lawrence Berkeley National Laboratory, ~~the Ernest Orlando Lawrence Livermore National Laboratory~~, and the Los Alamos National Laboratory, which shall be made by the President only when such appointments are necessary to meet emergency situations and shall be subject to confirmation by the Board at its next regular meeting.
- (d) Mutually agreeable changes in percent of time to be served by Officers of the University may be approved by the President of the University with commensurate adjustment in compensation. Any such changes shall be reported annually to the Board.
- (e) Mutually agreeable changes in the effective date of appointment of Officers of the University may be approved by the President of the University with commensurate adjustment in compensation. Any such changes shall be reported annually to the Board.

## **CHARTER OF THE COMMITTEE ON COMPLIANCE AND AUDIT**

Purpose: The Charter of the Committee on Compliance and Audit (the “Committee”), which is issued as a Regents’ Policy, is designed to provide a detailed description of the Committee’s responsibilities as outlined in Bylaw 12.1. It confirms the Committee’s duties for its members and for the Board of Regents as a whole, guides the annual agenda, permits tracking of tasks that discharge the Committee's responsibilities and provides, in part, for orientation of new Committee members.

~~The Charter is divided into six sections as follows:~~

- ~~I. Committee Membership—Composition, requirements and duration of appointment~~
- ~~II. Meetings—Frequency, attendees and closed sessions~~
- ~~III. Oversight Responsibilities—Duties of the Committee~~
- ~~IV. Reporting Responsibilities—To the Board as a whole~~

~~V. Authority—To retain and oversee non-University experts~~

~~VI. Assessment—Committee effectiveness and charter~~

### **I. Committee Membership**

A. With the exception of the Governor, who is an ex officio member of the Committee ~~on Audit~~, all members of the Committee shall meet the standards of The Regents' Guideline for Determination of Board Member Independence (March, 2005) in order to serve.

B. Committee members will be appointed for staggered two year terms. The Chair of the Committee ~~on Compliance and Audit~~ will be expected to serve for two years where possible and should be succeeded by a Vice Chair who has served a one-year term where possible.

C. ~~Members will have access to compliance and financial expertise either collectively among committee members or from~~ The Committee may appoint a Compliance Advisor and/or a Financial Advisor appointed to advise them—the members. See Regents Policy on Appointment of Expert Advisors to the Committee on Compliance and Audit.

### **II. Meetings**

A. The Committee ~~on Compliance and Audit~~ will meet as needed to address matters on its agenda, but not less frequently than four times each year. The Committee may ask members of management or others to attend a meeting and provide pertinent information as necessary.

B. As permitted by the California Open Meeting Act, the Committee will conduct closed sessions with the outside auditors, Chief Financial Officer ~~(CFO)~~, Vice President—Financial Management, Controller, Senior Vice President—Chief Compliance and Audit Officer, General Counsel, other counsel to the Committee, ~~outside counsel~~, or others when needed.

### **III. Oversight Responsibilities**

A. Monitor development and implementation of a systemwide compliance program via periodic reports from the ~~SVP~~ Senior Vice President—Chief Compliance and Audit Officer and location representatives.

B. Monitor specific programs designed to achieve compliance objectives.

C. Oversee development of a culture attentive to the University's commitment to ethics and compliance.

D. Review with the Senior Vice President—Chief Compliance and Audit Officer monitoring of compliance with the Statement of Ethical Values and Standards of Ethical Conduct, with particular attention to compliance with University policies and applicable laws and regulations.

E. Periodically review the University's Statement of Ethical Values and Standards of Ethical Conduct to assure that they are adequate and up-to-date.

F. Review University procedures for receipt, retention, and treatment of whistleblower and other complaints submitted by any party, internal or external to the organization, other than litigation. Review the topics, current status, and resolution of such complaints.

G. Receive and review the annual report on the University's risk management program.

H. Oversee the functional reporting relationship of the ~~University Auditor~~ Senior Vice President—Chief Compliance and Audit Officer with the Committee ~~on Audit~~, including review of the position's appointment, replacement, reassignment, or dismissal.

I. Review ~~with the University Auditor~~:

- Significant findings on internal audits during the year and progress regarding management corrective actions.

- Whether Internal Audit encountered any difficulties in the course of its audits, such as restrictions on the scope of its work or access to required information.
- Any changes required in the scope of the internal audit mission and responsibilities.
- The Internal Audit department resources, i.e., budget and staffing.
- The Internal Audit charter.
- Internal Audit compliance with the Institute of Internal Auditors' (IIA's) Standards for the Professional Practice of Internal Auditing (Standards).

J. Review with management any interim financial reports issued since the last meeting.

K. Review with the independent auditors, Chief Financial Officer, Controller, and Senior Vice President–Chief Compliance and Audit Officer the audit scope and plan of the internal auditors and the independent auditors. Address the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and effective use of University resources in the audits.

L. Review adequacy of internal controls, including computerized information system controls and security with the independent auditors and the Senior Vice President–Chief Compliance and Audit Officer.

M. Review with management and the independent auditors:

- The effect of regulatory and accounting initiatives, as well as other unique transactions and financial relationships.
- Significant findings and recommendations of the independent auditors as well as management corrective actions.
- Critical accounting policies and practices used by the University.
- All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of each alternative, and the treatment preferred by the University.

N. Review with the independent auditors matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, Communication With Audit Committees (AICPA, Professional Standards, vol. 1, AU sec. 380), as amended, related to the conduct of the audit.

This will include:

1. All material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
2. The independent auditors' audit of the financial statements and related footnotes and their report thereon.
3. The independent auditors' judgment about the quality, not just acceptability, of the University's accounting principles and practices as applied in its financial reporting.
4. Any significant changes required in the independent auditors' audit plan.
5. Any serious difficulties or disputes with management encountered during the audit.

O. Review with the General Counsel, other counsel to the Committee and the Chief Financial Officer, Vice President–Financial Management, Controller, ~~University Auditor~~, and the Senior Vice President–Chief Compliance and Audit Officer legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements, related organization compliance policies, and programs and reports received from regulators.

P. ~~The Committee on Compliance and Audit will p~~Perform such other functions as assigned by the Bylaws, the Charter, or The Regents.

#### **IV. Reporting Responsibilities**

- A. ~~The~~ At the earliest opportunity, the Committee on Compliance and Audit will report to the Board as a whole any action taken or significant discussions held ~~at the earliest opportunity~~.
- B. The Committee will receive and review annual reports for functional areas within the scope of its responsibilities and will advise the Board as a whole regarding its review.

#### **V. Authority to Retain and Oversee Non-University Experts**

- A. The Committee will recommend appointment of and oversee the independent auditors to be engaged by the Board of Regents, establish the fees of the independent auditors, and approve any nonaudit services to be provided, including unusual tax services, before the services are rendered.
- B. The Committee is authorized to engage additional independent auditors, counsel, or other consultants as necessary to discharge its duties.

#### **VI. Assessment**

- A. Review the Committee's charter ~~annually~~ periodically, reassess its adequacy and recommend proposed changes to the Board.
- B. Review the effectiveness of the Committee periodically, including review of its annual agenda.

### **STATEMENT OF EXPECTATIONS OF THE MEMBERS OF THE BOARD OF REGENTS**

#### **Guidelines for Discharge of Regental Duties**

The responsibility of individual Regents is to serve as trustees for the people of the State of California and as stewards for the University of California, acting to govern the University in fulfillment of its educational, research, and public service missions in the best interests of the people of California.

Recognizing the broad authority and responsibility vested in the Board of Regents for the governance and operation of the University of California, there is a specific expectation that members of the Board become knowledgeable regarding the educational, research, and public service programs of the University of California as well as the duties, responsibilities, and obligations of Regents.

#### **Preparation**

Members of the Board are expected to prepare themselves for the issues coming before the Board and to base votes on the information available and their best judgment. An orientation is mandatory for all new Regents.

#### **Attendance and Participation**

Members of the Board are expected to attend and participate in meetings of Board and committees to which they are assigned. Board members are also welcome to attend meetings of other committees to which they are not assigned, but they are not required or expected to do so. Board members are also encouraged to attend and participate in other events at which Board member participation is appropriate.

### **Cooperation**

It is expected that Board members will abide by Board decisions and policies in a manner consistent with the member's fiduciary duties. This is not intended to preclude either forthright expression of opposition or efforts to change such policies or decisions. Expression of opinion or position at variance with such policies or decisions should clearly indicate that it is not to be construed as a position of the Board and that the opinion expressed is that of an individual Regent. Board members should respect the opinions of other Board members, University officials, faculty, students, and staff. Consistent with the Regents Policy on the President as Spokesperson for the University (effective January 18, 1962), the President shall be the spokesperson for the University with the Chairman of the Board being the spokesperson for the Board.

### **Confidentiality**

Board members are expected to maintain the confidential nature of Board deliberations held in closed session, including written and verbal communication.

### **Ethics**

Regents are expected to serve the public trust and to fulfill their responsibilities ethically in a manner consistent with that obligation. This means that decisions are to be made solely to promote the best interests of the University as a public trust, rather than the interests of a particular constituency, and that Board members will disclose personal, familial, business relationships, or other potential conflicts of interest as appropriate.

### **Fiduciary Responsibilities**

Regents are expected to accept responsibility for the integrity of the financial, physical, and intellectual resources of the University.

### **Policy Responsibilities**

It is the responsibility of the Board to set policy and the responsibility of the University administration to implement and carry out policy, which includes responsibility for the day-to-day operations of the University.

### **Support for the University**

Regents are expected to be active supporters and advocates for the University and to take opportunities to help with fundraising, legislative advocacy, and other efforts on behalf of the University.

### **Board Responsibilities**

The Board is expected to:

- A. Appoint, support, assess the performance of, and, if necessary, dismiss the President.
- B. Appoint the Executive Vice Presidents, Senior Vice Presidents, other Vice Presidents, ~~University Auditor~~, Chancellors and Laboratory Directors upon recommendation of the President pursuant to Standing Order 100.2 (b).
- C. Approve and periodically review the appropriateness and consequences of all major institutional policies and programs, including addition or discontinuation of major programs and services consistent with the institution's mission and financial capacity.

- D. Ensure that good planning is done periodically, participate in the process as appropriate, assess the quality of the outcomes, and monitor progress against goals.
- E. Fulfill fiduciary responsibilities by approving and monitoring the annual budget, protecting the institution's financial and capital assets, ensuring responsible and prudent investment of funds, and ensuring a comprehensive compliance program and annual audit process.
- F. Ensure adequate resources and their effective management. This includes serving as advocates for institutional needs with external constituencies.
- G. Interpret the institution to the public and defend the institution, when necessary, from inappropriate intrusion.
- H. Ensure that the Board's reputation is exemplary in the course of meeting its responsibilities.
- I. Ensure that the institution serves as a good citizen in its relationships with other social, educational, and business enterprises through appropriate collaborations and partnerships.
- J. Assess the Board's performance periodically through an appropriate process.

#### **POLICY ON THE ASSOCIATE OF THE PRESIDENT AND THE ASSOCIATE OF THE CHANCELLOR**

- 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 included as a discrete item in the budget

of the President's immediate office when the annual budget for the Office of the President is submitted to the Regents for approval.

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. In the absence of the Executive Vice President and Chief Financial Officer approval authority will be delegated to the Executive Vice President-Business Operations.

3. An annual report will be provided in September of each year to The Regents with the budget expenditures for the Associate to the President and each Associate to the Chancellor for the preceding fiscal year.

H. The ~~University Auditor~~ Senior Vice President/Chief Compliance and Audit Officer 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.

### **PRINCIPLES FOR REVIEW OF EXECUTIVE COMPENSATION**

WHEREAS, the Regents recognize that the people of California have entrusted them with the responsibility for careful stewardship of the resources of the University of California; and

WHEREAS, the Regents are committed to public access, awareness, knowledge, and understanding of The Regents' decision-making processes; and

WHEREAS, public concerns about the openness of Regents' deliberations with regard to executive compensation require a response;

NOW, THEREFORE, BE IT RESOLVED that the following principles shall obtain with regard to activities involving executive compensation:

1. Executive compensation shall be defined as including base salary, retirement and other benefits, perquisites, severance payments (except those made in connection with a dismissal or a

litigation settlement), all forms of deferred compensation, supplemental retirement, all components of housing allowances or any other form of compensation applicable to the Officers of the University and the Principal Officers of The Regents, as currently and as may subsequently be described in the Bylaws and Standing Orders of The Regents. Pursuant to Standing Order 100.1, the Officers of the University are the President, Senior Vice Presidents, Vice Presidents, Associate Vice Presidents, Assistant Vice Presidents, ~~University Auditor~~, University Controller, Chancellors, Vice Chancellors, Directors and Deputy Directors of Lawrence Berkeley Laboratory, the Lawrence Livermore National Laboratory, and the Los Alamos National Scientific Laboratory, and Directors of University hospitals. The Principal Officers of The Regents, as consistent with Bylaw 20, are the Secretary, Treasurer and General Counsel; and

2. Discussions of and actions on executive compensation programs shall occur in open session of the Subcommittee on Officers' Salaries and Administrative Funds and/or the Committee on Finance. All members of the Board shall be invited to attend such meetings. Final action regarding such programs shall occur 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 shall have been approved by the Committee on Finance. Information and background materials shall fully and clearly disclose all relevant and material facts related to executive compensation programs, such as annual reviews of market data and comparison studies that form the analytical bases for the establishment of executive compensation levels. These materials shall be provided in advance of the meeting in such a manner as to afford sufficient opportunity for review and understanding of the contents; and

3. Discussions concerning appointment, status of employment, performance evaluations and compensation of individual officers specifically discussed in conjunction with such evaluations, and actions with respect to recommendations concerning such matters, shall occur in closed sessions of the Subcommittee on Officers' Salaries and Administrative Funds and/or the Committee on Finance, consistent with the Education Code and the Bagley-Keene Open Meeting Act. All members of the Board shall be invited to attend. Final action regarding such matters shall occur in closed session of the Board, except that final action regarding compensation for the President, Vice Presidents, Chancellors, Treasurer, Associate Treasurer, General Counsel, and Secretary shall occur in open session of the Board as the last action item on the agenda. The specific proposal will be made available to members of the public in attendance, prior to the commencement of the open session at which it will be voted upon.

Agendas for such meetings shall be provided to all Regents in advance of the meeting and shall contain information and background materials sufficient to lead to a full understanding of the matters under discussion, including all compensation elements relevant to each individual officer under consideration.

The meeting notice for any meeting at which compensation for the Principal Officers of The Regents, President, Vice Presidents, Chancellors, and Associate Treasurer shall be voted upon shall so state; and

4. Any paid leave of absence for Officers of the University, as defined above, granted by the

President pursuant to Standing Order 100.4(e), shall be reported to the Board by the President. Any paid leave of absence for the President, or for Principal Officers of The Regents, as defined above, shall be approved by The Regents; and

5. All actions affecting executive compensation and paid leaves of absence for Officers of the University and Principal Officers of The Regents shall be released to the public in a timely manner consistent with Bylaw 14.7. It is the intention of The Regents that administrative mechanisms to implement this provision shall be coordinated, strengthened and refined; and

6. Effective July 1, 1992, and thereafter, annual reports on the level of compensation and funding sources for Officers of the University and Principal Officers of The Regents shall be approved by The Regents and submitted by the President to the California Postsecondary Education Commission, the Joint Legislative Budget Committee, and the relevant policy and fiscal committees of the Legislature and the Governor.