THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

July 14, 2011

The Regents of the University of California met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Present: Regents Blum, De La Peña, Gould, Hallett, Island, Kieffer, Lansing, Lozano, Makarechian, Marcus, Mireles, Newsom, Pattiz, Pelliccioni, Reiss, Ruiz, Varner, and Zettel

In attendance: Regents-designate Mendelson, Rubenstein, and Stein, Faculty Representatives Anderson and Simmons, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice President Stobo, Vice Presidents Beckwith, Darling, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary Johns

The meeting convened at 12:40 p.m. with Chairman Lansing presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meetings of May 17 and 18, the special meeting of May 18, and the meetings of the Committee of the Whole of May 17 and 18, 2011 were approved.

2. REPORT OF THE PRESIDENT

In the absence of President Yudof, Provost Pitts presented the report concerning University activities and individuals. He expressed sadness about the decision to increase student tuition, but emphasized that students would lose more if the University did not maintain its quality.

Dr. Pitts reported that Regent Marcus had recently received an honorary doctorate from San Francisco State University and that Regent Varner had received an honorary doctorate from California State University, San Bernardino. Chancellor Blumenthal was awarded an honorary doctorate by the University of Wisconsin, Milwaukee. Chairman Lansing was recognized as “Big Ten Person of the Year” by the Big Ten Club of Southern California, the first woman to be so honored by the Club. Chancellor Katehi was recently awarded the 2011 Gabby Award. Gabby Awards recognize significant achievements by Greek Americans who have excelled in their respective fields.

[The report was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Pending Approval

3. **REPORT OF THE COMMITTEE ON COMPLIANCE AND AUDIT**

The Committee presented the following from its meeting of July 12, 2011:

A. ***Approval of a Change to the External Audit Plan for the Year Ending June 30, 2011***

The Committee recommended that the scope of the external audit plan be modified to remove the expanded procedures at the Lawrence Berkeley National Laboratory (LBNL) for the year ended June 30, 2011. With the approval of this recommendation, the scope of the external audit work performed at LBNL by the University's external auditors will include the procedures required for the auditors to issue an opinion on the University's consolidated financial statements.

B. ***Annual Report on Internal Audit Plan 2011-12***

The Committee reported its approval of the Annual Report on Internal Audit Plan 2011-12.

C. ***Ethics and Compliance Plan for 2011-12***

The Committee reported its approval of the Ethics and Compliance Program Plan for 2011-12.

Upon motion of Regent Zettel, duly seconded, the recommendation of the Committee on Compliance and Audit was approved.

4. **REPORT OF THE COMMITTEE ON COMPENSATION**

The Committee presented the following from its meeting of July 14, 2011:

A. ***Individual Compensation Actions***

(1) ***Preemptive Retention Salary Adjustment and Total Compensation for Mark R. Laret as Chief Executive Officer, Medical Center, San Francisco Campus***

Background to Recommendation

The UCSF Medical Center requested approval of a pre-emptive retention salary adjustment for Mark R. Laret, Chief Executive Officer. Funding would come exclusively from hospital operating funds and would not include State General Funds or student fee revenues.

The request includes an annual base salary increase of $195,300 and a graduated retention incentive arrangement that would bring his total cash

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compensation to $1,222,000 for year one. This request is in response to a recent recruitment effort by a major academic medical center in Boston affiliated with Harvard University. Because of the outstanding leadership he has demonstrated and his central role in the Mission Bay hospital project and fundraising campaign, it is essential for UCSF to retain Mr. Laret. UCSF Medical Center is in the midst of several important initiatives, including installation of a $160 million electronic medical record system to improve patient care and safety, and faces numerous challenges relating to national healthcare reform. Leadership continuity is critical at this important juncture.

Mr. Laret has been Chief Executive Officer of UCSF Medical Center since April 2000, leading one of the most distinguished health care institutions in the world. UCSF Medical Center is consistently ranked by *U.S. News and World Report* as one of the top ten hospitals in the United States and best in Northern California.

Mr. Laret is a nationally recognized leader in the health care industry with a distinguished 31-year career. For the past 16 years he has been an academic medical center Chief Executive Officer, responsible for two hospital turnarounds.

His peers nationally have elected him to serve as 2012 chair of the board of directors of the Association of American Medical Colleges, which represents the nation's preeminent academic medical centers and more than 134 schools of medicine. He is past chair of the 400-member Council of Teaching Hospitals. He has served on boards of directors of the University Health System Consortium, the California Hospital Association and the Accreditation Council for Graduate Medical Education, which oversees residency training programs across the nation.

Mr. Laret served at UCLA Medical Center from 1980 to 1995 in a variety of leadership positions, including Medical Center Deputy Director and Chief Executive Officer of the 900-physician UCLA Medical Group, and he led the acquisition of Santa Monica Hospital. From 1995 to 2000 he was Chief Executive Officer of UC Irvine Medical Center, where he led a business turnaround that produced marked improvements in quality of care, patient satisfaction, and financial performance.

Under his leadership, UCSF Medical Center has become a national leader in quality and safety and has risen from a top twenty hospital nationally to top ten, currently ranked number seven. Financially, UCSF Medical Center was losing $60 million a year in 2000 and has since demonstrated consistently strong financial performance. In fiscal year 2011, UCSF Medical Center will show an operating gain in excess of $175 million on $1.6 billion in patient care revenue – all without State support.

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Philanthropic support for the medical center has grown from almost zero to nearly $400 million. Cumulatively, over 11 years, UCSF Medical Center has generated more than $1.5 billion in new cash for the University, enabling improvements in facilities, equipment, and patient care and providing critical support for the UCSF School of Medicine, where State funding has eroded.

To accommodate growing demand and address seismic issues on UCSF campuses, Mr. Laret is spearheading development of a $1.5 billion UCSF hospital complex in the Mission Bay section of San Francisco, one of the single largest projects in the history of the University of California. The complex will include hospitals for children (now named UCSF Benioff Children's Hospital), women's specialty services, and cancer. Mr. Laret is leading a campaign to raise $600 million in private donations for the new facility, expected to open in late 2014. To date his efforts have resulted in pledges of $375 million, including two gifts of $100 million or more.

UCSF Medical Center proposes a retroactive base salary increase of $195,300, bringing Mr. Laret's annual base salary from $739,700 to $935,000, effective June 1, 2011. According to the 2010 COTH/Mercer IHN data, the proposed salary is 4.1 percent below the 50th percentile ($975,000) and 13.5 percent below the 75th percentile ($1,081,000) market data for teaching hospital system chief executive officers. However, based on the size, scope and national stature of UCSF Medical Center – as well as Mr. Laret's three decades of experience and proven track record – a base salary at or near the 75th percentile of the market is deemed appropriate and competitive to retain Mr. Laret. Other top ten institutions, such as the University of Pennsylvania, the University of Washington, and others provide total compensation ranging from $1.3 million to $2.3 million.

Another important reference point is the total cash compensation market data for teaching hospital chief executive officers. Total cash compensation proposed in this item includes an annual retention payment on a graduating scale designed as an incentive for Mr. Laret to remain at the helm of UCSF Medical Center until at least September 30, 2014, by which time the new hospital fundraising and construction and other critical initiatives are expected to be completed. If the UCSF Medical Center does not maintain a positive cash flow for a particular fiscal year, no retention incentive payment will be made to Mr. Laret the following September 30. The proposed total cash compensation of $1,222,000 for year one (fiscal year 2010-11) is equivalent to the 50th percentile market data for total cash compensation ($1,222,900) and 29.5 percent below the 75th percentile market data for total cash compensation ($1,732,500) for year one. By year four, the total cash compensation will fall between current 50th and 75th percentile market data for total cash compensation.

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Preliminary compensation discussions with the recruiting institution are consistent with the market data references provided by the Mercer survey. As another point of reference, UCSF is approximately 14 percent larger in size and scope, considering number of beds, inpatient admissions, outpatient visits, full-time equivalent headcount, net revenue, and operating expenses. This serves as additional justification for the compensation package being proposed for Mr. Laret.

The UCSF funding for the proposed salary increase and retention incentive arrangement will be provided exclusively by hospital operating funds and will not include State General Funds or student fee revenues.

<u>Recommendation</u>

The Committee recommended approval of the following items in connection with the preemptive retention salary adjustment for Mark R. Laret as Chief Executive Officer, Medical Center, San Francisco campus:

(1) Per policy, an adjustment to the base salary of $195,300 for a base salary of $935,000, SLCG Grade 118 (Minimum $585,000, Midpoint $760,400, Maximum $935,900).

(2) As an exception to policy, this adjustment to base salary is to be effective retroactive to June 1, 2011, to be consistent with the withdrawal of Mr. Laret's candidacy in the outside recruitment effort.

(3) As an exception to policy, a retention incentive payment will be made to Mr. Laret on September 30, 2011, and continuing annually thereafter for the next three years in accordance with the terms of the table below, provided that the conditions outlined below are satisfied. The retention incentive payment will be made annually through September 30, 2014 as long as Mr. Laret remains an active UC employee serving in the capacity of Chief Executive Officer, UCSF Medical Center, UCSF Campus on the scheduled payment date. This retention incentive arrangement is characterized as an exception to policy because there is no University or Regental policy that authorizes such an arrangement and because such an arrangement would not be permissible under the Senior Management Group Policy on Incentive Awards adopted in July 2010 because Mr. Laret is a participant in the Clinical Enterprise Management Recognition Plan.

  a. Should Mr. Laret resign or be terminated for cause prior to September 30, 2014, Mr. Laret shall forfeit his right to any

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retention incentive payments that have not been made. Should Mr. Laret die or become unable to perform his duties as Chief Executive Officer, UCSF Medical Center due to disability, no further retention incentive payments established on the schedule will be made after the date of his death or disability, as applicable.

b. If UCSF Medical Center does not have a positive cash flow as of the closing date (June 30) of any fiscal year, no retention incentive payment will be made on the following September 30.

c. Retention incentive payments will not be prorated for a partial fiscal year of service.

d. Retention incentive payments will not be subject to increases or decreases such as merit increases or furlough-related decreases.

e. Consistent with policy, these retention incentive payments will not be included in the calculation of:

i. Clinical Enterprise Management Recognition Plan awards

ii. Senior management life insurance

iii. Executive salary continuation for disability

iv. Terminal vacation payout

v. UC Retirement Plan covered compensation

vi. Senior Management Supplemental Benefit Plan payments

Retention Incentive Payment Date	**Retention Incentive Payment Amount**
September 30, 2011	$100,000
September 30, 2012	$200,000
September 30, 2013	$300,000
September 30, 2014	$400,000

(4) Per policy, continued eligibility for additional non-base building incentive compensation as an eligible participant of the Clinical Enterprise Management Recognition Program with an annual

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target award of 20 percent of base salary and a maximum potential award of 30 percent of base salary. Actual award will be determined based on performance against pre-established goals and objectives.

(5) Per policy, continued annual automobile allowance of $8,916.

(6) Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

(7) This appointment is at 100 percent time.

Recommended Compensation
Effective Date: June 1, 2011
Base Salary: $935,000
CEMRP (at 20 percent target rate): $187,000
Annual Retention Incentive: $100,000 in the first year (with annual increases up to a maximum of $400,000 in 2014)
Total Cash Compensation (TCC): $1,222,000 in the first year (with annual increases up to $1,522,000 in 2014 not including any merit increases or CEMRP incentive awards above target; actual CEMRP awards vary based on performance.)
Grade Level: SLCG Grade 118 (Minimum $585,000, Midpoint $760,400, Maximum $935,900)
50th Percentile Market Data for base salary only: $975,000
Percentage Difference from 50th Percentile Market Data for base salary only: 4.1 percent below market
75th Percentile Market Data for base salary only: $1,081,000
Percentage Difference from 75th Percentile Market Data for base salary only: 13.5 percent below market
50th Percentile Market Data for TCC: $1,222,900
Percentage Difference from 50th Percentile Market Data for TCC: In the first year ($1,222,000), zero percent; in 2014 ($1,522,000), 24.5 percent above market
75th Percentile Market Data for TCC: $1,732,500
Percentage Difference from 75th Percentile Market Data for TCC: In the first year ($1,222,000), 29.5 percent below market; in 2014 ($1,522,000), 12.2 percent below market
Funding Source: Hospital System revenue

Budget &/or Prior Incumbent Data
Title: Chief Executive Officer, Medical Center
Base Salary: $739,700
CEMRP (at 20 percent target rate): $147,940
Total Cash Compensation: $887,640

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Grade Level: SLCG Grade 118 (Minimum $585,000, Midpoint $760,400, Maximum $935,900)
Funding Source: Hospital System revenue

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life 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 and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by:	**UCSF Chancellor Desmond-Hellmann**
Reviewed by:	**President Yudof**
	Committee on Compensation Chair Ruiz
	Office of the President, Human Resources

(2) ***Promotion, Title Change and Salary Adjustment for Santiago Muñoz as Associate Vice President – Chief Strategy Officer, Office of the President***

<u>Background to Recommendation</u>

The Office of the President requested approval of a promotion, title change, and salary adjustment for Santiago Muñoz, Associate Vice President – Clinical Services Development. Funding for the position is approximately 40 percent State General Funds, 40 percent Common Funds, and 20 percent clinical revenue.

Since Santiago Muñoz's appointment as Executive Director – Clinical Services Development, Office of the President, in 2004 and his subsequent appointment as Associate Vice President – Clinical Services Development in 2007, his responsibilities have greatly expanded to include the following:

- Lead strategist and negotiator for UC Health in systemwide contract negotiations with commercial insurers, including a deal being finalized this year with an incremental benefit of nearly $20 million annually. For the past three years, Mr. Muñoz has been the lead individual, working with managed care officers of the medical centers and practice plans, in negotiating systemwide

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contracts. These contracts have been integral to improving the financial performance of UC Health. This year alone, contracts will be re-negotiated with three plans. The strategic goal is to have all commercial contracts with the eight largest California payers signed by January 1, 2014, the date that the state insurance exchanges are implemented.

- Lead strategist and negotiator for UC Health in discussions with State, federal, and hospital industry leaders to renew the Medicaid waiver. These negotiations are in progress and have thus far been favorable to UC Health because of Mr. Muñoz's efforts. The waiver will provide $780 million annually to UC Health, including $110 million per year in incentive payments, if UC Health achieves certain negotiated clinical outcome goals.

- Lead strategist and negotiator on behalf of UC Health for the statewide Medi-Cal hospital provider fee (AB 1383 and AB 1653). For the 21 months ending June 30, 2011, Mr. Muñoz's negotiations are expected to produce approximately $229 million in additional revenue to the five UC medical centers.

- Lead strategist and negotiator for pursuing operational improvements and savings with insurers, including developing and implementing a clinical time-study tool to assess clinical productivity for physicians. Additionally, Mr. Muñoz is integrally involved in savings initiatives, including supply chain activities that have yielded systemwide savings of nearly $20 million in the current year.

- Operational responsibility for the UC-wide Center for Health Quality and Innovation. This center was established in 2011 with the goal of providing financial support for initiatives developed within UC Health that can be implemented systemwide and which improve the delivery, value, and safety of health care provided by UC Health. The center is capitalized through contributions from each of the five UC medical centers (total $5 million) and overseen by the six vice chancellors/deans of the schools of medicine and the five medical center CEOs. The Senior Vice President for Health Sciences and Services chairs this board. The Executive Director of the Center will report directly to Mr. Muñoz.

The complexity of negotiating both the Medi-Cal provider fee and the Medicaid waiver cannot be overstated. Mr. Muñoz has successfully navigated among a variety of constituencies, sensitively addressing their concerns and resolving their issues. Taken together, these monies should total more than $3.5 billion to UC Health over five years.

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This is a critical time for the financial stability of the UC medical centers. Waiver and provider fee dollars are essential for continued funding of the academic programs of UC's health professional schools ($428 million in fiscal year 2009-2010).

UC Health created the Center for Health Quality and Innovation in February 2010. Capitalized by funds from the five UC medical centers, the Center's mission is to provide support for interdisciplinary projects that focus on cost, quality, access to health care, and workforce training. Center support will go to projects started at individual UC campuses that can be readily expanded to benefit all UC Health campuses. The Center will play a key role in positioning UC Health for initiatives and challenges accompanying health care reform for the foreseeable future.

Market data using the 2010 Mercer Integrated Health Networks (revenue of $1.5 billion or more) indicate that the median base salary for Mr. Muñoz's position is $303,600, and the total targeted cash compensation median is $370,250. The sources of funds for Mr. Muñoz's salary and incentive would be approximately 20 percent clinical revenue, 40 percent State General funds, and 40 percent Common Funds. Significantly, clinical funds would provide for the entire proposed increase in Mr. Muñoz's salary ($48,600).

Recommendation

The Committee recommended approval of the following items in connection with the promotion, title change and salary adjustment for Santiago Muñoz as Associate Vice President – Chief Strategy Officer, Office of the President:

(1) Per policy, a promotional salary adjustment of 24.1 percent from $201,400 to $250,000, effective upon approval.

(2) Re-slotting of Mr. Muñoz's position from SLCG Grade 106 to 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700) to reflect the new portfolio of responsibilities and to align with market and internal comparators.

(3) A change in title from Associate Vice President – Clinical Services Development to Associate Vice President – Chief Strategy Officer.

(4) Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

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(5) Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan, with a target award of 15 percent of base salary ($37,500) and a maximum potential award of 25 percent of base salary ($62,500), with actual award dependent upon performance.

Recommended Compensation
Effective Date: Upon approval
Base Salary: $250,000
Clinical Enterprise Management Recognition Plan (CEMRP): $37,500 (at 15 percent target rate)
Total Cash Compensation: $287,500 (assuming CEMRP award at 15 percent target rate)
Grade Level: SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700)
Median Market Data (Base Salary Only): $303,600
Median Market Data (Total Targeted Cash): $370,250
Percentage Difference from Market: 17.7 percent below market (base) and 22.4 percent below market (total targeted cash)
Funding Source: Approximately 40 percent State General funds, 40 percent Common Funds, and 20 percent clinical revenue.

Budget &/or Prior Incumbent Data
Base Salary: $201,400
Clinical Enterprise Management Recognition Plan (CEMRP): $30,210 (at 15 percent target rate)
Total Cash Compensation: $231,610 (assuming CEMRP award at 15 percent target rate)
Grade Level: SLCG Grade 106 (Minimum $154,200, Midpoint $195,200, Maximum $236,100)
Funding Source: 50 percent State General funds and 50 percent Common Funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life 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 and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

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Submitted by: **President Yudof**
Reviewed by: **Committee on Compensation Chair Ruiz**
Office of the President, Human Resources

(3) ***Promotional Appointment of and Total Compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources, Office of the President***

Background to Recommendation

The Office of the President requested approval of a promotional appointment of and total compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources. Funding would come from State Funds. The request includes an annual base salary increase of $27,500.

In September 2008, as part of the ongoing effort to increase organizational efficiencies at the Office of the President, a review team appointed by then Executive Vice President Lapp and chaired by UC Davis Vice Chancellor John Meyer submitted its report, titled "Organizing for Successful Delivery and Stewardship of Capital Assets." This report recommended that the systemwide Budget Office and Facilities Administration be merged. The report included a set of summary major recommendations as well as specific recommendations associated with several of the sub-areas of the newly-defined department.

The consolidation was launched in mid-April 2009 with the creation of a new Department of Budget and Capital Resources. Patrick Lenz, Vice President, Systemwide Budget, effectively doubled his portfolio from 20 full-time equivalent employees (FTE) and a budget of $2.5 million to a combined total budget of $5.8 million and 53 FTE. The new unit was renamed Budget and Capital Resources, and Vice President Lenz assumed the new title of Vice President – Budget and Capital Resources.

In addition to continuing to oversee systemwide capital and operating budgets, Vice President Lenz now has responsibility over the following areas:

- **Sustainability.** Provide systemwide leadership on issues related to sustainability; coordinate implementation of the University's policy on sustainable practices.

- **Plant, Energy, and Utilities.** Support and coordinate systemwide facilities renewal and deferred maintenance, plant operation and maintenance, and energy conservation and purchases.

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- **Policy and Contract Administration.** Coordinate and administer contract policy, maintain guidelines and manuals, and provide regulatory and code expertise. Manage training programs.

- **Physical and Environmental Planning.** Support and coordinate University land use and site planning, including Long Range Development Plans and environmental assessment. Facilitate capital project approval and review.

- **Real Estate.** Real Estate Services Group: leadership and support for systemwide real estate activities.

Two associate vice president positions are in place to oversee systemwide Operating Budget matters and Capital Resources, respectively.

The proposed base salary of $300,000 is 2.3 percent below the midpoint for SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500). In addition, the proposed base salary is 1.4 percent below other incumbents at the Office of the President in SLCG Grade 110, and 10.2 percent above the Vice Chancellors – Budget and Resources at the campuses. Market data provided by the College and University Professional Association indicate a market median base salary of approximately $299,040.

This position is paid 100 percent from State General Funds.

Recommendation

The Committee recommended approval of the following items in connection with the promotional appointment of and total compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources, Office of the President:

(1) Promotional appointment of Patrick J. Lenz from Vice President – Budget to Vice President – Budget and Capital Resources.

(2) Salary grade change from SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700) to SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500), in recognition of the significant additional responsibilities.

(3) Appointment salary of $300,000 per annum (SLCG Grade 110: Minimum $239,700, Midpoint $307,200, Maximum $374,500). This represents a 10.1 percent increase over current base salary of $272,500.

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(4) This appointment is at 100 percent time and effective upon approval.

Recommended Compensation
Effective Date: Upon approval
Base Salary: $300,000
Bonus/Incentive: $0
Total Cash Compensation: $300,000
Grade Level: SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500)
Median Market Data: $299,040
Percentage Difference from Market: 0.3 percent above market
Funding Source: State funds

Budget &/or Prior Incumbent Data
Title: Vice President – Budget
Base Salary: $272,500
Bonus/Incentive: $0
Total Cash Compensation: $272,500
Grade Level: SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700)
Funding Source: State funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, continued participation in the UC Home Loan Program, in accordance with all applicable policies.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University policy.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: **President Yudof**
Reviewed by: **Committee on Compensation Chair Ruiz**
Office of the President, Human Resources

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B. ***Amendment of Regents Policy 7203: Universitywide and Senior Leadership Compensation***

The Committee recommended that Regents Policy 7203, Policy on Universitywide and Senior Leadership Compensation, be amended as shown in Attachment 1.

Upon motion of Regent Ruiz, duly seconded, the recommendations of the Committee on Compensation were approved, Regents Island, Lozano, Mireles, Newsom, Pelliccioni, and Zettel (6) voting "no" on item A (1) above.

5. **REPORT OF THE COMMITTEE ON EDUCATIONAL POLICY**

The Committee presented the following from its meeting of July 13, 2011:

Designation of Steele Burnand Anza-Borrego Desert Research Center, San Diego County, Natural Reserve System

The Committee recommended that the Regents designate the University-owned property located at 401 Tilting T Drive, Borrego Springs, California, consisting of a 3.94+/- acre parcel with improvements adjacent to the Anza-Borrego Desert State Park, as a component of the Natural Reserve System named the Steele Burnand Anza-Borrego Desert Research Center, with day-to-day management of this reserve provided by the Irvine campus.

Upon motion of Regent Reiss, duly seconded, the recommendation of the Committee on Educational Policy was approved.

6. **REPORT OF THE COMMITTEE ON FINANCE**

The Committee presented the following from its meeting of July 13-14, 2011:

A. ***Authorization of Leases and Agreements for Various State Capital Programs***

The Committee recommended that, subject to adoption by the State Public Works Board (SPWB) of a resolution authorizing the issuance of State Public Works Board Lease Revenue Bonds for the following projects: Business Unit 2, Irvine campus; Environmental Health and Safety Expansion, Riverside campus; and SIO Research Support Facilities, San Diego campus, the President or the Secretary and Chief of Staff be authorized to:

(1) Execute an unsubordinated site lease from the Regents to the SPWB for each project named above, said lease to contain provisions substantially as follows:

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a. The site shall comprise the approximate size of the footprint for each building named above. Said lease shall also include a license to the SPWB for access from campus roads to the site during the term of the lease.

b. The purpose of the lease shall be to permit construction of the project.

c. The term of the site lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds, and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full.

d. The rental shall be $1 per year.

e. The Regents shall have power to terminate the site lease in the event of default by the SPWB, except when such termination would affect or impair any assignment or sublease by the SPWB and such assignee or subtenant is duly performing the terms and conditions of the lease.

f. The Regents shall provide to the SPWB and any assignee of the SPWB access to the site and such parking and utility services as are provided for similar facilities on the campus.

g. The Regents shall waive personal or individual liability of any member, officer, agent, or employee of the SPWB.

h. The Regents shall agree to pay assessments or taxes, if any, levied on the site or improvements attributable to periods of occupancy by the Regents.

i. In the event any part of the site or improvements is taken by eminent domain, the Regents recognizes the right of the SPWB to retain condemnation proceeds sufficient to pay any outstanding indebtedness incurred for the construction of the project.

(2) Execute an agreement between the State of California, as represented by the SPWB, and the Regents for each project named above, said agreements to contain the following provisions:

a. The SPWB agrees to finance working drawings and/or construction for the project, as authorized by statute.

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b. The Regents agrees to provide and perform all activities required to plan and construct said project.

(3) Execute a facility lease from the SPWB to the Regents for each project named above, said leases to contain provisions substantially as follows:

a. The purpose of the building's occupancy shall be to use it as a facility for functions in furtherance of the University's mission related to instruction, research, and public service.

b. The SPWB shall lease the State-financed portion of the facility, including the site, to the Regents pursuant to a facility lease.

c. The terms of the facility lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds, and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full.

d. If the SPWB cannot deliver possession to the Regents at the time contemplated in the lease, the lease shall not be void nor shall the SPWB be liable for damages, but the rental payment shall be abated proportionately to the construction cost of the parts of the facility not yet delivered.

e. In consideration for occupancy during the term of the lease and after the date upon which the Regents takes possession of the facility, the Regents shall pay base rent in an annual amount sufficient to pay debt service on the bonds or other obligations of the SPWB issued to finance or refinance the facility and additional rent for payment of all administrative costs of the SPWB.

f. The Regents covenant to take such actions as may be necessary to include in the University's annual budget amounts sufficient to make rental payments and to make the necessary annual allocations.

g. During occupancy, the Regents shall maintain the facility and pay for all utility costs and shall maintain fire and extended coverage insurance at then current replacement cost or an equivalent program of self-insurance, and earthquake insurance if available on the open market at a reasonable cost.

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h. During occupancy, the Regents shall maintain public liability and property damage insurance, or an equivalent program of self-insurance, on the facility and shall maintain rental interruption or use and occupancy insurance, or an equivalent program of self insurance.

i. In the event of default by the Regents, the SPWB may maintain the lease whether or not the Regents abandons the facility and shall have the right to relet the facility, or the SPWB may terminate the lease and recover any damages available at law.

j. The Regents shall be in default if the lease is assigned, sublet, or transferred without approval of the SPWB, if the Regents files any petition or institutes any proceedings for bankruptcy, or if the Regents abandons the facility.

k. The Regents shall cure any mechanics' or materialmen or other liens against the facility and, to the extent permitted by law, shall indemnify the SPWB in that respect.

l. The Regents, to the extent permitted by law, shall indemnify the SPWB from any claims for death, injury, or damage to persons or property in or around the facility.

m. Upon termination or expiration of the lease, other than for breach or because of eminent domain, title to the facility shall vest in the Regents.

B. ***Authorization to Approve Interest Rate Swap Guidelines***

The Committee recommended that the Interest Rate Swap Guidelines for the University's debt portfolio, as shown in Attachment 2, be approved.

C. ***University of California Retirement Plan – Experience Study: Proposal to Adopt Changes in Actuarial Assumptions***

The Committee recommended that:

A. The Consulting Actuary's recommendations regarding actuarial assumptions for the UC Retirement Plan (UCRP) summarized in Attachment 3 be adopted.

B. New annuity option factors and lump sum factors for the UCRP, based on the recommended change in the Mortality Rates assumption summarized in Attachment 3, be effective for retirements on July 1, 2012 and later.

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C. With respect to the UC-PERS Plus 5 Plan and the UC Retiree Health Benefit Program, the actuarial assumptions summarized in Attachment 4 be adopted.

D. The Plan Administrator be authorized to implement the actuarial assumption changes summarized in Attachments 3 and 4.

D. ***Approval of Fiscal Year 2011-12 Budget for Office of the President***

The Committee recommended that the University of California Office of the President Fiscal Year 2011-12 Budget, as shown in Attachment 5, be approved.

E. ***Update on 2011-12 Budget and Approval of Additional 2011-12 Tuition Increase***

The Committee recommended the following actions on student charges for 2011-12:

A. Approve an increase of 9.6 percent of the combined total of Tuition and the Student Services Fee (together referred to as "Mandatory Systemwide Charges") for undergraduate, graduate academic, and graduate professional students, effective beginning fall quarter/semester 2011 (for programs starting after August 15). Display 1 indicates the Tuition and Student Services Fee levels that would result from this increase. The entire increase in Mandatory Systemwide Charges shall be applied to Tuition and there shall be no increase in the Student Services Fee beyond that approved by the Regents in November 2010.

B. Augment UC's systemwide financial aid programs by 33 percent of the additional undergraduate student Tuition increase, 50 percent of the additional graduate academic student Tuition increase, and 33 percent of the additional graduate professional student Tuition increase.

DISPLAY 1: Proposed 2011-12 Tuition Increases Related to $650 Million Reduction

	Previously Approved 2011-12 Charge Levels		Proposed Increase[1]		Proposed 2011-12 Charge Levels	
	Tuition[2]	Student Services Fee	$	%	Tuition[2]	Student Services Fee
Mandatory Systemwide Charges Required to Meet 26.3% of reduction (additional 9.6% increase)	$10,152	$972	$1,068	9.6%	$11,220	$972

[1] Tuition increases by an amount equivalent to 9.6% of the combined total of Tuition and the Student Services Fee but the Student Services Fee remains at the level approved in November 2010.
[2] Includes $60 surcharge to cover costs associated with the injunction and judgment of the *Kashmiri* lawsuit.

Display 1 above reflects the proposed increase in Tuition and the already-approved Student Services Fee level.

Pending Approval

F. ***Authorization or Endorsement of Certain Alternate Revenue Strategies for Fiscal Year 2011-12***

The Committee recommended that the Regents take the following actions regarding the President's planned alternate revenue strategies:

A. Authorize the President to instruct the Chief Investment Officer to transfer an additional amount not to exceed $1 billion from the systemwide Short Term Investment Pool (STIP) into the Total Return Investment Pool (TRIP) to increase investment earnings.

B. Authorize the President to instruct the Chief Investment Officer to distribute an extraordinary payout not to exceed two percent of eligible year-end 2010-11 balances of funds functioning as endowments (FFEs).

C. Authorize the President to instruct the Chief Investment Officer to distribute an extraordinary payout not to exceed two percent of eligible year-end 2010-11 balances of true endowments.

D. Endorse the President's plan to draw down as needed from the University's employee/retiree healthcare reserve.

Regent Marcus recommended an amendment to item E above that would exempt academic graduate students from the tuition increase. Regent Marcus' recommendation failed, Regents Island, Marcus, and Mireles (3) voting "yes."

Upon motion of Regent Varner, duly seconded, the recommendations of the Committee on Finance were approved, Regents Island, Marcus, Mireles, and Newsom (4) voting "no" on item E above.

7. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**

The Committee presented the following from its meeting of July 12, 2011:

A. ***Approval of Design, User Test Bed Facility, Lawrence Berkeley National Laboratory***

Upon review and consideration of the environmental consequences of the proposed project, the Committee reported its:

(1) Determination that the User Test Bed Facility project is categorically exempt under the California Environmental Quality Act (CEQA).

(2) Approval of the design of the User Test Bed Facility project, Lawrence Berkeley National Laboratory.

Pending Approval

B. ***Adoption of Mitigated Negative Declaration and Approval of Design, Landfair and Glenrock Apartments Redevelopment, Los Angeles Campus***

Upon review and consideration of the environmental consequences of the proposed project, the Committee reported its:

(1) Adoption of the Final Initial Study/Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program.

(2) Adoption of the Findings.

(3) Approval of the design of the Landfair and Glenrock Apartments, Los Angeles campus.

[The Final Initial Study/Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program and Findings were mailed to Committee members in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

C. ***Approval of the Budget for Capital Improvements and the Capital Improvement Program, Certification of Environmental Impact Report, Adoption of Findings, and Approval of Design to Remediate the Site for Phase 1 of University House Rehabilitation Project, San Diego Campus***

(1) The Committee recommended that:

a. The 2011-12 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Phase 1 of the <u>University House Rehabilitation</u> – preliminary plans, working drawings, and construction for the site remediation components – $1.5 million to be funded from gift funds earmarked for the University House Rehabilitation project.

b. The Phase 1 of the University House Rehabilitation scope include: site remediation to address life safety issues associated with land erosion and to protect further deterioration of this University asset, while protecting cultural, archaeological, and historical resources.

c. The President be authorized to execute all documents necessary in connection with the above.

(2) Upon review and consideration of the environmental consequences of the proposed project, the Committee reported its:

Pending Approval

a. Certification of the Environmental Impact Report (EIR).

b. Adoption of the Mitigation Monitoring and Reporting Program for the project.

c. Adoption of the Findings and Overriding Considerations.

d. Approval of the design for the Phase 1 site remediation.

[California Environmental Quality Act (CEQA) documentation, including the University House Mitigation Monitoring Program, and Findings were mailed to Committee members in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Upon motion of Regent Makarechian, duly seconded, the recommendations of the Committee on Grounds and Buildings were approved.

8. **REPORT OF THE COMMITTEE ON INVESTMENTS**

The Committee presented the following from its meeting of July 13, 2011:

A. ***Adoption of Policy on Disclosures Regarding Use of Placement Agents for the University of California Retirement System Investments***

The Committee recommended that the Policy on Disclosures Regarding Use of Placement Agents for the University of California Retirement System Investments, as shown in Attachment 6, be adopted.

B. ***Adoption of Expenditure Rate for Total Return Investment Pool***

The Committee recommended that the expenditure rate (payout rate) for the Total Return Investment Pool for the fiscal year 2010-11 be set at a maximum of six percent.

Upon motion of Regent Marcus, duly seconded, the recommendations of the Committee on Investments were approved.

9. **REPORT OF THE COMMITTEES ON FINANCE AND OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES**

The Committees presented the following from their meeting of July 13, 2011:

Approval of Appropriations from Los Alamos National Security LLC and Lawrence Livermore National Security LLC Fee Income to Be Expended for Research in Fiscal Year 2011-12

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The Committees on Finance and Oversight of the Department of Energy Laboratories recommended that the balance of the University's 2011 Los Alamos National Security LLC and Lawrence Livermore National Security LLC net income, estimated at $20.45 million, be allocated for research projects, to include National Laboratory research projects as well as other research projects.

Upon motion of Regent Varner, duly seconded, the recommendation of the Committees on Finance and Oversight of the Department of Energy Laboratories was approved.

10. **REPORT OF INTERIM ACTIONS**

Secretary and Chief of Staff Kelman reported that, in accordance with authority previously delegated by the Regents, interim action was taken on routine or emergency matters as follows:

A. The Chairman of the Board and the Chair of the Committee on Governance approved the following recommendation:

Change in Appointment Date of Student Regent and Appointment to Committees

(1) That the effective date for the appointment of Alfredo Mireles, Jr. as Student Regent, currently set for July 1, 2011, be advanced to May 13, 2011.

(2) That Alfredo Mireles, Jr. be appointed to the following standing committees of the Board of Regents on which former Student Regent Jesse Cheng served at the time of his resignation: Compliance and Audit; Educational Policy; and Finance.

(3) That Alfredo Mireles, Jr. be appointed to the Special Committee on Selection of a Student Regent.

B. The Chairman of the Board, the Chair of the Committee on Finance, and the President of the University approved the following recommendation:

Authorization of Working Capital Borrowing to Bridge State Cash Flow Deferrals

That the Regents authorize the President to obtain an external finance working capital borrowing of either a short-term bond instrument or taxable commercial paper in a principal amount not to exceed $1 billion plus financing costs for each fiscal year while the deferrals are in effect.

(1) The anticipated repayment of the principal of the borrowing shall be from

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receipt of deferred amounts paid to the University by the State of California. Interest on the borrowing will be repaid from interest earnings on the University's Short Term Investment Pool (STIP).

(2) This authorization is valid for each fiscal year from fiscal year 2011-12 through fiscal year 2015-16.

(3) If deferred amounts from the State of California are not received by the University by the end of each fiscal year that the deferral is in effect, the President shall either (i) extend the borrowing until such deferred amounts are received, but no later than July 31st of the following fiscal year or (ii) repay the principal of the borrowing from each campus' share of STIP based on each campus' proportional use of such borrowing.

(4) The borrowing will be issued under the University's general revenue bond indenture or the University's commercial paper indenture.

(5) The President is authorized to take all necessary actions related to the external financing including approval, execution and delivery of all necessary or appropriate financing documents.

C. The Chairman of the Board, the Chair of the Committee on Finance, the Chair of the Committee on Grounds and Buildings, and the President of the University approved the following recommendation:

Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing, Gross Hall: A California Institute for Regenerative Medicine (CIRM) Institute, Irvine Campus

(1) The 2010-11 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: Irvine: Stem Cell Research Building – preliminary plans, working drawings, construction, and equipment – $66,617,000 to be funded from California Institute for Regenerative Medicine (CIRM) grant funds ($27,156,000), gift funds ($23,307,000), external financing ($15,000,000), and equipment grants ($1,154,000).

To: Irvine: Gross Hall: A CIRM Institute – preliminary plans, working drawings, construction, and equipment - $57,039,000 to be funded from CIRM grant funds ($27,156,000), gift funds ($10,137,000) external financing ($17,842,000), equipment grants ($1,154,000), and campus funds ($750,000).

Additions shown by underscoring; deletions shown by strikethrough

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(2) The Irvine campus be authorized to obtain external financing not to exceed ~~$15,000,000~~ $17,842,000 to finance the Gross Hall: A CIRM Institute project. The Irvine campus shall satisfy the following requirements:

a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

b. Repayment of any debt shall be from the General Revenues of the Irvine campus and as long as the debt is outstanding, General Revenues shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

(3) The President be authorized to execute all documents necessary in connection with the above.

D. The Chair of the Committee on Finance and the President of the University approved the following recommendations:

(1) ***Participation in Westwood Village Improvement Association, Los Angeles Campus***

a. The Regents authorize participation of the University as a full, voting member of a California non-profit public benefit corporation, named the Westwood Village Improvement Association ("Corporation").

b. The Regents authorize the President, in consultation with the General Counsel, to execute all documents necessary for the University to become a full member of the Corporation, including, without limitation, authority to agree to the Articles of Incorporation of the Corporation and to become a voting member of the board of the Corporation.

(2) ***Participation in CIL/Haas Supporting Foundation, Berkeley Campus***

a. The Regents authorize participation of the University in the operation of a California nonprofit public benefit corporation effective June 30, 2011, to be named CIL/Haas Supporting Foundation ("Corporation"), which has been formed to support, benefit and carry out the charitable and educational purposes of the Center for Independent Living and UC Berkeley Haas School of Business by providing financial support for activities conducted in

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or near Berkeley that enhance the independence of people with disabilities.

b. The Regents authorize the President or his designee, in consultation with the General Counsel, to execute all documents necessary for such participation.

E. The Vice Chair of the Committee on Grounds and Buildings and the President approved the following recommendation:

Certification of Environmental Impact Report, Amendment of the Long Range Development Plan and Approval of Design, Mount Zion Parking Garage, San Francisco Campus

(1) Certification of the Environmental Impact Report (EIR).

(2) Adoption of the Mitigation Monitoring Program for the Final EIR.

(3) Adoption of the Findings pursuant to the California Environmental Quality Act (CEQA).

(4) Amendment of the Long Range Development Plan (LRDP) to include the 2420 Sutter Street property as part of the Mount Zion campus site.

(5) Approval of the design of the Mount Zion Parking Garage, San Francisco campus.

F. The Chair of the Committee on Compensation and the President of the University approved the following recommendations:

(1) ***Extension of Appointment of and Compensation for Thomas A. Parham as Interim Vice Chancellor – Student Affairs, Irvine Campus***

<u>Background to Recommendation</u>

Action under interim authority was requested for the approval of the extension of the appointment of and compensation for Thomas A. Parham as Interim Vice Chancellor – Student Affairs, Irvine campus, effective July 1, 2011 through June 30, 2012, or until the appointment of a permanent Vice Chancellor – Student Affairs. Mr. Parham has been serving as Interim Vice Chancellor – Student Affairs since September 15, 2010, and his current term appointment was set to expire on June 30, 2011.

This extension was in response to a delay in hiring a permanent Vice Chancellor – Student Affairs. The campus has undergone extensive

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recruiting efforts, completing a comprehensive national search and interview process. To date, however, recruitment efforts have not been successful. The campus is now reevaluating its approach for filling the position. In the meantime, it is imperative to have stable leadership in place.

The Vice Chancellor – Student Affairs is an integral position in Irvine's executive management team. The Vice Chancellor is responsible for the development and administration of Student Affairs. Additionally, the Vice Chancellor is accountable for the effective operation of education development, enrollment management, student financial support, undergraduate and graduate housing, counseling and health services, student activities, campus recreation, and auxiliary enterprises.

Mr. Parham possesses the administrative and leadership abilities needed in the Vice Chancellor – Student Affairs position during this transitional period. Mr. Parham has 26 years of service at UC Irvine. Prior to his current position, he served as the Assistant Vice Chancellor for Counseling and Health Services as well as an adjunct faculty member. Mr. Parham is an active member of the UC Irvine and surrounding communities, contributing his talents in the areas of social advocacy, community uplift, and youth empowerment. He has served as a member of the City of Irvine's Human Relations Committee, Chair of UC Irvine's Martin Luther King, Jr. symposium for ten years, charter member and President of the 100 Black Men Orange County Chapter and past President of the National Association of Black Psychologists.

Mr. Parham holds a Bachelor of Arts in social ecology from the University of California, Irvine, a Master of Arts in psychology from Washington University in St. Louis and a Doctor of Philosophy in psychology from Southern Illinois University at Carbondale.

For more than 30 years, Mr. Parham has focused his research efforts on the psychology of identity development. He has authored numerous books and articles in this area.

This position is funded 100 percent by UC general funds provided by the State. The proposed annual compensation of $200,000 is 3.6 percent below the average base salary of $207,500 for other UC Vice Chancellors of Student Affairs, 18.3 percent below the midpoint for SLCG Grade 108 of $244,900, and is seven percent below the market average of $215,036. Market data provided by Mercer Consulting include data from the College and University Professional Association (CUPA) Administrative Compensation Survey.

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Recommendation

The following items were approved in connection with the appointment of and compensation for Thomas A. Parham as Interim Vice Chancellor – Student Affairs, Irvine campus:

a. Term appointment of Thomas A. Parham as Interim Vice Chancellor – Student Affairs, Irvine campus.

b. Per policy, an annual base salary of $200,000 (SLCG Grade 108: Minimum $192,300, Midpoint $244,900, Maximum $297,400). The requested base salary of $200,000 is a continuation of what Mr. Parham has been receiving since he began serving as Interim Vice Chancellor – Student Affairs in September 2010.

c. This appointment is at 100 percent time and effective July 1, 2011 through June 30, 2012, or until the appointment of a new Vice Chancellor – Student Affairs, whichever occurs first.

Recommended Compensation
Effective Date: July 1, 2011
Base Salary: $200,000
Grade Level: SLCG Grade 108
(Minimum $192,300, Midpoint $244,900, Maximum $297,400)
Median Market Data: $215,036
Percentage Difference from Market: seven percent below market
Funding Source: UC general funds

Budget &/or Prior Incumbent Data
Job Title: Vice Chancellor – Student Affairs
Base Salary: $215,300
Grade Level: SLCG Grade 108
(Minimum$192,300, Midpoint $244,900, Maximum $297,400)
Funding Source: UC general funds

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 and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: UCI Chancellor Drake

Pending Approval

Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

(2) ***Extension of Appointment of and Compensation for Daniel G. Aldrich, III as Interim Vice Chancellor – University Advancement, Irvine Campus***

Background to Recommendation

Action under interim authority was requested for the retroactive approval of the extension of the appointment of and compensation for Daniel G. Aldrich, III as Interim Vice Chancellor – University Advancement, Irvine campus, effective May 16, 2011 through December 31, 2011, or until the appointment of a new Vice Chancellor – University Advancement, whichever occurs first. Mr. Aldrich has been serving as Interim Vice Chancellor – University Advancement since April 29, 2010 and his current term appointment expired on May 15, 2011. This extension was needed because of a delay in hiring a new Vice Chancellor – University Advancement due to unexpected difficulties in the recruitment process.

Mr. Aldrich is an experienced fundraiser, seasoned administrator, and a qualified Interim Vice Chancellor – University Advancement. Mr. Aldrich serves as the chief advancement officer and manages all activities related to financial, political, community, governmental, alumni, and public support for UC Irvine. Mr. Aldrich has been an administrator in the UC system since 1980, with most of this time spent in the development area. He was the Council for the Advancement and Support of Education (CASE) District VII Tribute Award Winner in 1998.

This position is funded 100 percent by UC general funds provided by the State. This action was an extension of the current terms of Mr. Aldrich's interim appointment. No changes were proposed to his compensation package. The base salary of $265,000 is 13.7 percent below the 50th percentile market data of $307,004, and 33.6 percent below the 75th percentile market data of $399,297. The proposed base salary is 3.6 percent below the prior incumbent's base salary of $275,000. The proposed base salary is 3.5 percent below the average base salary of $274,525 for the Vice Chancellor – University Relations/Advancement positions at other UC locations. Additionally, the proposed base salary is 8.2 percent above the midpoint for SLCG Grade108 (Minimum $192,300, Midpoint $244,900, Maximum $297,400).

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Recommendation

The following items were approved in connection with the extension of the appointment of and compensation for Daniel G. Aldrich, III as Interim Vice Chancellor – University Advancement, Irvine campus:

a. Extension of term appointment of Daniel G. Aldrich, III as Interim Vice Chancellor – University Advancement, Irvine campus.

b. Per policy, an annual base salary of $265,000 (SLCG Grade 108: Minimum $192,300, Midpoint $244,900, Maximum $297,400).

c. This appointment is at 100 percent time and effective May 16, 2011 through December 31, 2011, or until the appointment of a new Vice Chancellor – University Advancement, whichever occurs first.

Recommended Compensation
Effective Date: May 16, 2011
Base Salary: $265,000
Total Cash Compensation: $265,000
Grade Level: SLCG Grade 108
(Minimum $192,300, Midpoint $244,900, Maximum $297,400)
50th Percentile Market Data: $307,004
Percentage Difference from 50th Percentile Market Data: 13.7 percent below market
75th Percentile Market Data: $399,297
Percentage Difference from 75th Percentile Market Data: 33.6 percent below market
Funding Source: UC general funds

Budget &/or Prior Incumbent Data
Job Title: Vice Chancellor – University Advancement
Base Salary: $275,000 (plus $8,916 automobile allowance)
Total Cash Compensation: $283,916
Grade Level: SLCG Grade 108
(Minimum $192,300, Midpoint $244,900, Maximum $297,400)
Funding Source: UC general funds

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

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previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: **UCI Chancellor Drake**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

(3) ***Administrative Stipend for Janice Eisele as Acting Vice Chancellor – University Development and Alumni Relations, San Francisco Campus***

Background to Recommendation

Action under interim authority was requested for the retroactive approval of an administrative stipend for Janice Eisele as Acting Vice Chancellor – University Development and Alumni Relations (UDAR), San Francisco campus, effective April 25, 2011 through June 30, 2012, or until the appointment of a new Vice Chancellor, whichever occurs first. Ms. Eisele's base appointment will continue in the Management and Senior Professional (MSP) program, Grade 8, while serving in this Senior Management Group (SMG) role. The urgency of this request followed the sudden resignation by Carol Moss from the position of Vice Chancellor – University Development and Alumni Relations on April 22, 2011, to accept another position at Carnegie Mellon University.

The UDAR function is critically important to UCSF. A nationwide search will be initiated for a replacement that will be informed by an internal assessment of the UDAR function. In the interim, Chancellor Desmond-Hellmann will be directly involved in UCSF's overall philanthropic and alumni efforts, and Ms. Eisele will serve as the interim head of UDAR. Ms. Eisele assumed this role effective April 25, 2011, immediately following Ms. Moss' separation from the University. In this interim role, Ms. Eisele will lead the day-to-day operations of UDAR.

Ms. Eisele brings to this interim role over 20 years of professional development experience in higher education and academic medicine, including ten years at the University of California, San Francisco (UCSF). She earned her B.S. degree from Michigan State University. Currently serving as the UCSF Assistant Vice Chancellor – Medical Development, Ms. Eisele manages a staff of 50.

Ms. Eisele has an in-depth knowledge of UCSF's organizational structure and donor community and has worked extensively and successfully with UCSF leadership. With her demonstrated track record of collaborating effectively with both faculty and the donor community, a strong personal

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commitment to UCSF's mission, and her approachable and solutions-focused leadership style, Ms. Eisele is well-positioned to lead the group during this interim period.

Ms. Eisele, in partnership with a talented UDAR leadership team, will make strong progress towards achieving philanthropic priorities, including those related to the UCSF Medical Center at Mission Bay, the Smith Cardiovascular Research Institute, and the Neurosciences Institute. UCSF is uniquely positioned at the intersection of health sciences and innovation. While there are challenges, there are also tremendous opportunities to continue, with the support of an outstanding donor community, to realize the vision of advancing health worldwide. Ms. Eisele's leadership role related to the UCSF Foundation is critical during this interim phase.

In recognition of the increased scope of additional temporary responsibilities, the campus requested approval of an annual stipend of $67,500 (30 percent) which, when combined with Ms. Eisele's current annual base salary of $225,000, provides a total cash compensation of $292,500. This amount is to be paid during the term appointment as well as during a transition period of up to two months thereafter. The requested total cash compensation of $292,500 is 22.2 percent below the $376,000 annual base salary for the former Vice Chancellor – University Development and Alumni Relations and is 4.7 percent below the 50th percentile market data of $307,004, and 26.7 percent below the 75th percentile market data of $399,297. The requested total cash compensation is 15 percent below the midpoint of the SLCG Grade 111 ($344,000), which is the grade level held by the former incumbent. This stipend will be funded by non-State funds.

Recommendation

The following items were approved in connection with the appointment of and compensation for Janice Eisele as Acting Vice Chancellor – University Development and Alumni Relations, San Francisco campus:

a. Per policy, appointment of Janice Eisele as Acting Vice Chancellor – University Development and Alumni Relations at 100 percent time.

b. Per policy, an administrative stipend of $67,500 in addition to base salary of $225,000 at SLCG Grade 111 (Minimum $267,700, Midpoint $344,000, Maximum $420,100).

c. As an exception to policy, this stipend is effective April 25, 2011 through June 30, 2012, or until the appointment of a new Vice

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Chancellor, whichever occurs first, including a transition period of up to two months. This constitutes an exception to policy because the duration of the stipend exceeds the 12 months allowed under policy.

Recommended Compensation
Effective Date: April 25, 2011
Base Salary: $225,000
Administrative Stipend: $67,500
Total Cash Compensation: $292,500
Grade Level: MSP 8 (SLCG, unslotted) acting in an SMG role (SLCG Grade 111)
(Minimum $267,700, Midpoint $344,000, Maximum $420,100)
50th Percentile Market Data: $307,004
Percentage Difference from 50th Percentile Market: 4.7 percent below market
75th Percentile Market Data: $399,297
Percentage Difference from 75th Percentile Market: 26.7 percent below market
Funding Source: Non-State funds

Budget &/or Prior Incumbent Data
Job Title: Vice Chancellor – University Development and Alumni Relations
Base Salary: $376,600
Total Cash Compensation: $376,600
Grade Level: SLCG Grade 111
(Minimum $267,700 Midpoint $344,000 Maximum $420,100)
Funding Source: Non-State funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.
- Per policy, ineligible for Senior Management Group benefits.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: **UCSF Chancellor Desmond-Hellmann**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

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(4) ***Interim Re-Slotting, Title Change and Retention Increase for Thomas V. McAfee as Dean for Clinical Affairs and President of the Medical Group, Health Sciences, San Diego Campus***

Background to Recommendation

Action under interim authority was requested for approval of the retention offer for Thomas V. McAfee, M.D., who currently holds the title of Dean for Clinical Affairs, Health Sciences at the San Diego campus. Funding would come exclusively from clinical funds. The request includes an annual base salary increase of $102,800.

This urgent request was in response to Dr. McAfee’s need to respond to the offer received from UCLA. Dr. McAfee was recruited by UCLA to fill the position of Chief Executive Officer and Associate Vice Chancellor for UCLA Faculty Practice Group, a role very similar to his current position at the San Diego campus. The Los Angeles campus offered Dr. McAfee a base salary of $550,000, contingent upon approval by the Regents. In discussions with Vice Chancellor – Health Sciences David Brenner, Dr. McAfee indicated his willingness to withdraw from the UCLA search and remain on the San Diego campus if the proposed terms of the offer were matched, including a 23 percent increase from his current annual base salary of $447,200 to a new base salary of $550,000. The retention offer also included a title change to Dean for Clinical Affairs and President of the Medical Group to better reflect the increased scope of responsibilities, as well as an interim re-slotting of the position from SLCG Grade 112 to SLCG Grade 115.

As Dean for Clinical Affairs and President of the Medical Group, Dr. McAfee has primary responsibility for advancing the clinical delivery vision in line with the organization's strategic plan to both internal and external constituents as well as overall responsibility for the physician practice in both the inpatient and outpatient arenas. Reporting directly to the Vice Chancellor – Health Sciences and, in conjunction with the UCSD Medical Center Chief Executive Officer and the clinical chairs, he has direct oversight for determining physician staffing needs across the Health Sciences; negotiating contracts and relationships for physician services with other institutions and third-party payors; setting standards for physician access and service, as well as quality of care; and ensuring that clinical programs are integrated with and support the clinical, community outreach, educational, and research goals of the School of Medicine. In addition to providing overarching leadership and ensuring appropriate oversight, the clinical responsibilities include the establishment, implementation, and maintenance of best-practice industry care standards for safety and excellence. This position holds full responsibility for ensuring the successful business and clinical operation of the UCSD

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Medical Group. Further, the position is responsible for clinical compliance, clinical resource and infrastructure management, and management of all medical group and clinical service agreements.

While similar to the Chief Executive Officer and Associate Vice Chancellor for UCLA Faculty Practice Group, the Dean for Clinical Affairs and President of the Medical Group at the San Diego campus will have various responsibilities that are not part of the UCLA position. These include responsibility for international outreach and business development, real estate acquisition for the Medical Group, clinical telemedicine and management of the privacy and compliance functions. The San Diego position includes service on building advisory committees for the Jacobs Medical Center and Sulpizio Cardiovascular Center and full control of the Clinical Enterprise Development funds and their uses. Dr. McAfee has had a direct impact on the success of the Medical Center over the past five years. Given the significant growth projections for the faculty practice over the next five years, losing Dr. McAfee at this time would be very detrimental to achievement of the clinical strategic plan.

The Medical Group's growth since 2007, when Dr. McAfee assumed the Dean for Clinical Affairs role, has been significant. The number of clinical faculty involved in the practice, clinical service agreements with affiliates and the Veterans Administration hospital, has grown 58 percent from 550 to 871. The Medical Group practice has seen revenue grow 31 percent to $153.5 million annually. This is staggering growth, considering the competition in this health care market, which includes Scripps, Sharp, and Kaiser. The profitability of the Medical Center since 2007 is equally impressive. This can be seen via the 77 percent increase in transfers to the School from the Medical Center margin from $24 million in 2007 to $42.5 million in 2011. The Medical Group provides the doctors who contribute to the profitability of the Medical Center. In the next four or five years, the clinical strategic plan projects a 30 percent growth in hospital admissions, with the opening of the Sulpizio Cardiovascular Center and the Jacobs Medical Center. With the normal growth target in Medical Group revenue set at five percent, the potential growth in Medical Group practice revenue is projected to be around 65 percent. To deliver the patient care that such growth will demand, there will need to be comparable growth in the clinical faculty. This growth projection is not unattainable, considering that the practice grew 58 percent from 2007 to 2011 and the next few years will include the addition of two primary facilities on UC San Diego's east campus, the acquisition of the San Diego Cancer Center, and potentially other practice purchases.

Some of the functions related to the UC San Diego position that are not included in the functions for the UCLA position also bring considerable resources to UC San Diego. International outreach efforts will generate

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$9 million in revenue to the hospital in 2011, and business development efforts, such as the current proposal to help Khalifa University in Abu Dhabi establish and build a medical school, can bring net revenue potential in excess of $10 million. Practice and real estate acquisitions, like the recent purchase of the San Diego Cancer Center, which is anticipated to increase clinical revenue exceeding $20 million annually, not only add to UC San Diego's already robust clinical and research portfolio, but will contribute to the clinical bottom line. In clinical telemedicine, executed agreements with Adventist Health, Kimaw Indian Health, the Desert AIDS Project and a variety of service agreements through a grant with the Center for Connected Health Policy (CCHP) have already resulted in additional revenue without having to deploy providers in person.

Dr. McAfee has a dual appointment at zero percent time as a non-tenured Health Sciences Clinical Professor. Dr. McAfee is a member of the Senior Management Group and not subject to the Academic Personnel Manual because he does not have a concurrent University appointment in an Academic Senate faculty title or an equivalent title.

According to the 2010 Sullivan Cotter Physician Compensation Productivity survey for the CEO – Medical Group – M.D. position, the proposed base salary of $550,000 is 1.9 percent above the 50th percentile ($539,920) data, 22.8 percent below the 75th percentile ($712,600) data and 1.6 percent above the midpoint of SLCG Grade 115 (Minimum $416,300, Midpoint $541,200, Maximum $666,100). This position is funded 100 percent from clinical funds.

<u>Recommendation</u>

The following items were approved in connection with the compensation for Thomas V. McAfee as Dean for Clinical Affairs and President of the Medical Group, Health Sciences, San Diego campus:

a. Title change from Dean for Clinical Affairs to Dean for Clinical Affairs and President of the Medical Group.

b. Interim re-slotting to SLCG Grade 115 (Minimum $416,300, Midpoint $541,200, Maximum $666,100).

c. Per policy, an annual base salary of $550,000.

d. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan, with a target payout of 20 percent of base salary annually and a maximum payout of 30 percent. Actual payouts are determined based on performance

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against pre-established goals and objectives.

e. Per policy, continued five percent contribution to the Senior Management Supplemental Benefit Program. Dr. McAfee continues to be eligible for this benefit since his dual academic appointment as Health Sciences Associate Clinical Professor (Fiscal Year) is a non-tenured position.

f. This appointment is at 100 percent time.

g. Effective upon approval.

<u>Recommended Compensation</u>
Effective Date: Upon approval
Base Salary: $550,000
CEMRP (at 20 percent target rate): $110,000
Total Cash Compensation: $660,000
Grade Level: SLCG Grade 115
(Minimum $416,300, Midpoint $541,200, Maximum $666,100)
50th Percentile Market Data: $539,920
Percentage Difference from 50th Percentile Market: 1.9 percent above market
75th Percentile Market Data: $712,600
Percentage Difference from 75th Percentile Market: 22.8 percent below market
Funding Source: Clinical income

<u>Budget &/or Prior Incumbent Data</u>
Title: Dean, Clinical Affairs
Base Salary: $447,200
CEMRP (at 20 percent target rate): $89,440
Total Cash Compensation: $536,640
Grade Level: SLCG Grade 112
(Minimum $298,900, Midpoint $385,300, Maximum $471,500)
Funding Source: Clinical income

Additional items of compensation include:

- Per policy, continued standard pension and health and welfare benefits and standard senior management benefits (including senior management life 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 and written commitments. Compensation recommendations

Pending Approval

and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: **UCSD Chancellor Fox**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

(5) ***Contract Appointments of and Compensation for Brian D. Wickstrom as Special Assistant to the Chancellor and, Subsequently, as Director, Intercollegiate Athletics, Riverside Campus***

Background to Recommendation

Action under interim authority was requested for the approval of two successive contract appointments of and compensation for Brian D. Wickstrom, Riverside campus. Funding for the appointments comes 100 percent from Student Referendum Division I Fees.

Mr. Wickstrom is to be appointed Special Assistant to the Chancellor, effective July 25, 2011, followed by an appointment as Director, Intercollegiate Athletics, Riverside campus, for a period of five years, renewable in the third year. The campus proposes an annual base salary of $199,000 at MSP Grade 7 (Minimum $102,700, Midpoint $173,900, Maximum $245,000) for both appointments. The requested base salary is slightly above the Midpoint for MSP Grade 7.

Pursuant to Standing Order 101.2, the rates of compensation for "Other Specified Employees," including Athletic Directors, require Regental approval.

The appointment of Mr. Wickstrom follows a comprehensive and competitive national search. Mr. Wickstrom brings exceptional qualifications and mission-critical skills and experience to the Director position. He received his B.S. and M.B.A. from Kansas State University, a Master of Sports Administration from Ohio University, and an Ed.D. from Eastern Michigan University. Mr. Wickstrom is exceptionally suited to lead UC Riverside's intercollegiate sports program. With his skills and experience, he will strengthen the program, fundraising, donor and alumni relations, and community relations, among other critical areas of focus. In total, Mr. Wickstrom has 13 years of progressive and successful experience in intercollegiate athletic programs from his leadership roles at University of Texas at El Paso, University of Michigan, Santa Clara University, University of Missouri, and Ohio University. His track record for revenue generation is impressive, demonstrating his highly successful skills in building mutually beneficial relationships with the community

Pending Approval

and securing significant financial commitments from donors and sponsors. Mr. Wickstrom's most recent leadership experience includes five years as Senior Associate Athletics Director for the University of Texas at El Paso. Prior to that, he held the positions of Assistant Athletic Director for Development and Business Partnerships for the University of Michigan, Associate Athletics Director for Santa Clara University, Assistant Director of Athletics Development for University of Missouri, and Development Associate at Ohio University. The exceptional qualifications, experience, and community relationships that Mr. Wickstrom has demonstrated are unique, highly valued, and difficult to recruit.

In order to ensure the smooth transition of the new Director, Intercollegiate Athletics, Mr. Wickstrom will be initially appointed as Special Assistant to the Chancellor for the period of July 25, 2011 through August 15, 2011, to work closely with the Chancellor and the outgoing Director. When the outgoing Director leaves the position, which is expected to occur with his retirement on or about August 16, 2011, Mr. Wickstrom will assume the position of Director, Intercollegiate Athletics. Eligibility for all cash and non-cash benefits will be effective July 25, 2011.

The campus requested that Mr. Wickstrom be provided with an automobile allowance of $700 per month ($8,400 per year). As this would be in excess of the $5,400 per year allowed under the "Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches," as approved by the Regents at the September 2008 meeting, it would be an exception to policy. The nature of the position's responsibilities and the substantial amount of travel required for the successful performance of the position's duties necessitate an automobile allowance. These duties include significant community relations development and a robust donor cultivation and fundraising role. An equivalent position at UC Irvine received approval for an automobile allowance upon his appointment in 2008. The use of courtesy vehicles, provided by a local dealership, is also a common practice among athletic programs with robust donor and sponsor relationships; however, this option is not available at UC Riverside. In the meantime, it is essential that the Director be provided with a competitive level of resources to carry out his responsibilities, consistent with the business practices of similar positions across the UC system. The automobile allowance will be reported as income to Mr. Wickstrom and will be subject to withholding for tax purposes but will not increase his base salary.

The campus also proposed that Mr. Wickstrom be provided with a membership at Riverside's Victoria Club, a private country club, valued at $7,120 for the first year, with the understanding that subsequent annual

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renewals may result in membership fee adjustments. Equivalent positions at UC Berkeley, UCLA, and UC Irvine have received approval for similar social/golf club memberships. It is important that the Director have the same opportunity to conduct his responsibilities as those in similar positions across the UC system, consistent with standard business practices.

This position is funded 100 percent from Student Referendum Division I Fees.

<u>Recommendation</u>

The following items were approved in connection with the appointment of and compensation for Brian Wickstrom, first as Special Assistant to the Chancellor and then as Director, Intercollegiate Athletics, Riverside campus:

a. An initial base salary of $199,000.

b. As an exception to policy, an automobile allowance of $700 per month ($8,400 per year). This constitutes an exception to policy as it exceeds the $5,400 per year allowed under the "Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches," as approved by the Regents at the September 2008 meeting.

c. A social/golf club membership at Riverside's Victoria Club, a private country club, subject to the limitations under Business and Finance Bulletin G-43, Policy on University Membership in Organizations. This membership is valued at $7,120 for the first year, with the understanding that subsequent annual renewals may result in membership fee adjustments.

    i. Annual review of the membership will include an evaluation of Mr. Wickstrom's contribution to the organization or the benefits derived by the University from the membership, as required by Business and Finance Bulletin G-43.

    ii. Primary use of the membership will be to conduct official University business.

d. Relocation allowance of $48,755 (24.5 percent of base salary) payable over three years, in accordance with Business and Finance Bulletin G-13, Policy and Regulations Governing Moving and Relocation. The relocation allowance is intended to offset the

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difference in the cost of living between Riverside, California, and El Paso, Texas, where Mr. Wickstrom currently resides. Any unpaid relocation allowance amounts will be forfeited at the time of separation. The payment schedule will be as follows:

i. Year 1 at $18,000 (36.92 percent); monthly payment of $1,500.00.

ii. Year 2 at $18,000 (36.92 percent); monthly payment of $1,500.00.

iii. Year 3 at $12,755 (26.16 percent); monthly payment of $1,062.92.

e. Reimbursement of allowable moving expenses up to 100 percent in accordance with Business and Finance Bulletin G-13, Policy and Regulations Governing Moving and Relocation.

f. Reimbursement for temporary lodging for up to 30 days and meals for up to 30 days of residence in the temporary lodging if it does not have cooking facilities in accordance with Business and Finance Bulletin G-13, Policy and Regulations Governing Moving and Relocation.

g. As an exception to policy, reimbursement of reasonable expenses associated with one house-hunting trip of up to five days for Mr. Wickstrom, his spouse and his two minor children to take place in July 2011, including the cost of transportation, meals, and lodging, with the total not to exceed $5,000.

h. The contract is to be for a five-year period, ending June 30, 2016, but renewable in the third year. The proposed hire date is July 25, 2011, in order to provide ample time to obtain Regental approval and to allow Mr. Wickstrom to make arrangements to begin work in Riverside, California. To ensure the smooth transition of the new Director, Intercollegiate Athletics, Mr. Wickstrom will be initially appointed as Special Assistant to the Chancellor as of July 25, 2011 to work closely with the Chancellor and the outgoing Director. When the outgoing Director leaves the position, which is expected to occur with his retirement on or about August 16, 2011, Mr. Wickstrom will assume the position of Director, Intercollegiate Athletics, with eligibility for all cash and non-cash benefits effective on July 25, 2011.

<u>**Recommended Compensation**</u>
Effective Date: July 25, 2011

Pending Approval

Base Salary: $199,000
Talent Fee: $0
Total Guaranteed Compensation: $199,000
Grade Level: MSP Grade 7
(Minimum $102,700, Midpoint $173,900, Maximum $245,000)
Median Market Data: $217,271
Percentage Difference from Market: 8.4 below market
Funding Source: Student Referendum Division I Fees

Budget &/or Prior Incumbent Data
Title: Director, Intercollegiate Athletics
Base Salary: $170,200
Talent Fee: $0
Total Guaranteed Compensation: $170,200
Grade Level: MSP Grade 6
(Minimum $94,100, Midpoint $136,900, Maximum $179,600)
Funding Source: Student Referendum Division I Fees

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 and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: **UCR Chancellor White**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

(6) ***Compensation Adjustment for Randolph Wedding as Senior Managing Director – Fixed Income Investments, Office of the Treasurer, Office of the President***

Background to Recommendation

The Office of the Treasurer requested approval of a compensation adjustment for Randolph Wedding as Managing Director – Fixed Income Investments. Funding for this action would come from returns on investments and would not include State General Funds or student fee revenues. The request included an annual base salary increase of $67,700.

Pending Approval

Mr. Wedding has a solid investment banking and portfolio management background. He has managed the fixed income unit for more than a decade and oversees five senior portfolio managers and three others. He is responsible for managing $24.6 billion across the pension, endowment and defined contribution plans, as well as the University's working capital. Mr. Wedding occupies a position critical to the success of the University's investment function, and the organization would be at high risk should he elect to leave.

Results of the *Mercer Office of the Treasurer Compensation Study*, dated May 2011, show the following:

Wedding Current Base Salary	**Market 50th Base**	**Market 75th Base**	**Percent Lead (Lag) 50th**	**75th**
$306,800	$289,000	$340,000	6.2%	(9.8%)

Wedding Current Target Total Cash	**Market 50th TTC**	**Market 75th TTC**	**Percent Lead (Lag) 50th**	**75th**
$491,000	$563,000	$788,000	(12.8%)	(37.7%)

A comparison with California Public Employees' Retirement System (CalPERS) data, considered a more comparable direct peer comparison, shows the following:

Wedding Current Base Salary	**CalPERS Comparable Base Salary**	**Percent Lead (Lag)**
$306,800	$358,956	(14.5%)

Considering the value and contribution of Mr. Wedding to the University and the potential for a retention risk, aligning Mr. Wedding Total Compensation between the 50th and 75th percentiles of the market is deemed competitive and appropriate.

This funding for this compensation is derived from the returns on investments.

Recommendation

The following items were approved in connection with the compensation for Randolph Wedding as Senior Managing Director – Fixed Income Investments, Office of the Treasurer, Office of the President.

Pending Approval

a. Per policy, a 22 percent market-based salary adjustment to raise Randolph Wedding's base salary from $306,800 to $374,500. Mr. Wedding's position will continue to be slotted at SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500).

b. Per policy, continued participation in the Treasurer's Office Annual Incentive Plan (AIP), with a target award at the rate of 60 percent of base salary ($224,700) and a maximum potential award at the rate of 120 percent of base salary ($449,400). Actual award will depend on performance against pre-established objectives.

c. Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

d. This appointment is at 100 percent time.

Recommended Compensation
Effective Date: Upon approval
Base Salary: $374,500
Grade Level: SLCG Grade 110
(Minimum $239,700, Midpoint $307,200, Maximum $374,500)
50th Percentile Market Base Salary: $289,000
Percent Difference from Market 50th Percentile Base: 29.5 percent above market
75th Percentile Market Base Salary: $340,000
Percent Difference from Market 75th Percentile Base: 10.2 percent above market
Participation in the Treasurer's Office Annual Incentive Plan: $224,700 (at target rate of 60 percent of base salary)
Total Cash Compensation (assuming AIP award at target rate): $599,200
50th Percentile Market Target Total Cash (TTC): $563,000
Percent Difference from Market 50th Percentile TTC: 6.4 percent above market
75th Percentile Market Target Total Cash (TTC): $788,000
Percent Difference from Market 75th Percentile TTC: 23.9 percent below market

Budget &/or Prior Incumbent Data
Title: Senior Managing Director – Fixed Income Investment
Base Salary: $306,800
Grade Level: SLCG Grade 110
(Minimum $239,700, Midpoint $307,200, Maximum $374,500)

Pending Approval

Participation in the Treasurer's Office Annual Incentive Plan: $184,080 (at target rate of 60 percent of base salary)
Total Cash Compensation (assuming AIP award at target rate): $490,880

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life 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 and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

G. The Chairman of the Board, the Chairman-Elect of the Board, and the Chair of the Committee on Compensation approved the following recommendation:

Appointment of and Compensation for Marsha Kelman as Secretary and Chief of Staff to The Regents

<u>Background to Recommendation</u>

Action under interim authority was requested for the appointment of and total compensation for Marsha Kelman as the Secretary and Chief of Staff to the Regents. This urgent request was in response to a vacancy created by the departure of the former Secretary and Chief of Staff to the Regents, Ms. Diane Griffiths, whose last day of employment was April 25, 2011.

Ms. Kelman brings more than 25 years of significant experience in higher education administration. Ms. Kelman is one of the top institutional research professionals in the country, and served as the Associate Vice President – Policy and Analysis at the Office of the President. She was responsible for leading and coordinating the development of proactive policy initiatives on behalf of the University of California. This included overseeing, on behalf of the President, the analysis of proposed initiatives, leading processes for arriving at recommendations for the President, integrating the institutional research and policy management functions, and aligning those functions with ongoing academic strategic planning efforts under way at the University, both systemwide and on the campuses. In addition, the position is responsible for integrating policy into the University's budget.

Pending Approval

Ms. Kelman was also responsible for overseeing both Institutional Research (IR), which is charged with assembling uniform corporate data from campus and other sources, and then analyzing and presenting that data for decision support, reporting and accountability; and Issues Management and Policy Analysis and Coordination (IMPAC), which is responsible for developing and articulating a policy and legislative agenda for the University of California that spans the full range of the University's academic and business operations and advances the interests of the University and its campuses, as well as supporting the operations of UC's federal and State government relations offices. As the Secretary and Chief of Staff, Ms. Kelman will serve as the primary liaison between the Regents and the University administration, working directly with the Chairman of the Board of Regents and the President of the University in execution of Board-related projects, initiatives, and mandates. These responsibilities include Board meetings and substantive research and analysis, planning, preparation and support and review for all projects. In addition, the Secretary and Chief of Staff is the custodian of certain official corporate records of the University; is responsible for planning and staffing all Board meetings and its Committee meetings; executes or attests to certain documents which have been executed on behalf of the Regents; provides direct administrative support to the members of the Board of Regents; prepares minutes of the Regents meetings; and is custodian of Regental and other corporate records.

The proposed promotional increase will result in a base salary of $295,000, which is 7.5 percent above the midpoint for SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700). The proposed salary for Ms. Kelman is equivalent to the salary of the former incumbent.

This position is funded 50 percent by State General Funds and 50 percent by Common Funds.

Recommendation

The following items were approved in connection with the appointment of and compensation for Marsha Kelman as Secretary and Chief of Staff to The Regents:

(1) Appointment of Marsha Kelman as Secretary and Chief of Staff to the Regents.

(2) Per policy, an annual base salary of $295,000 at SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700).

(3) Per policy, continued five percent contribution to the Senior Management Supplemental Benefit Program.

(4) Per policy, an automobile allowance of $8,916 per annum.

Pending Approval

(5) Per policy, Administrative Fund for official business and other purposes permitted by University policy.

(6) This appointment is at 100 percent time and effective July 1, 2011 or upon a date mutually agreed upon by the President and the Chairman of the Board of Regents.

Recommended Compensation
Effective Date: July 1, 2011 or upon a date mutually agreed upon by the President and the Chairman of the Board of Regents
Base Salary: $295,000
Incentive Compensation: $0
Total Cash Compensation: $295,000
Grade Level: SLCG Grade 109
(Minimum $214,700, Midpoint $274,300, Maximum $333,700)
Funding Source: 50 percent State General funds and 50 percent Common Funds

Budget &/or Prior Incumbent Data
Title: Secretary and Chief of Staff to The Regents
Base Salary: $295,000
Incentive Compensation: $0
Total Cash Compensation: $295,000
Grade Level: SLCG Grade 109
(Minimum $214,700, Midpoint $274,300, Maximum $333,700)
Funding Source: 50 percent State General Funds and 50 percent Common Funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life 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 and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

11. REPORT OF COMMUNICATIONS RECEIVED

Secretary and Chief of Staff Kelman reported that, in accordance with Bylaw 16.9, Regents received a summary of communications in reports dated June 1 and July 1, 2011.

Pending Approval

12. **REPORT OF MATERIALS MAILED BETWEEN MEETINGS**

Secretary and Chief of Staff Kelman reported that, on the dates indicated, the following were sent to the Regents or to Committees:

To Members of the Committee on Compensation

A. From the President, salary actions taken for professors since October 19, 2010. (May 11, 2011)

B. From the President, March 2011 and May 2011 Bi-Monthly Transaction Monitoring Reports for Deans and Faculty Administrators who have transferred from the Senior Management Group Program to Academic Titles. (May 20, 2011)

To Members of the Committee on Compliance and Audit

C. From the President, report on cash and cash equivalents control review. (June 6, 2011)

To the Regents of the University of California

D. From the President, Bi-Monthly Transaction Monitoring Report – March 2011, and Report of Actions Taken Under the Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide. (May 10, 2011)

E. From the President, letter and news release announcing the President's UC Merced Chancellor recommendation. (May 10, 2011)

F. From the Chairman, statement announcing the resignation of the student Regent. (May 16, 2011)

G. From the President, copy of the President's keynote address at the American Law Institute's annual meeting. (May 19, 2011)

H. From the Chairman, letter announcing the death of former Regent John G. Davies. (May 23, 1011)

I. From the President, letter in response to the Lieutenant Governor's request for UC chancellors' salaries. (May 23, 2011)

J. From the Chairman of the Committee on Oversight of the Department of Energy Laboratories, letter announcing the appointment of the Director of Los Alamos National Laboratory and President of Los Alamos National Security, LLC. (May 26, 2011)

Pending Approval

K. From the President, at the request of the Chair of the Academic Council, copy of President Emeritus Gardner's 2009 remarks before the University's Commission on the Future. (May 31, 2011)

L. From the Associate Secretary, summaries of communications received subsequent to the May 2, 2011 report of communications. (June 1, 2011)

M. From the Associate Secretary, new appointments by the Chairman to the Ad Hoc Committee on Campus Climate. (June 2, 2011)

N. From the Chairman of the Committee on Oversight of the Department of Energy Laboratories, letter soliciting help in identifying candidates for the position of Director of Lawrence Livermore National Laboratory. (June 6, 2011)

O. From the President, letter concerning the delayed accreditation for the proposed School of Medicine at UC Riverside. (June 10, 2011)

P. From the Associate Secretary, letter informing of the alumni Regent-designates' committee assignments. (June 10, 2011)

Q. From the President, video message from the Chairman concerning the University and State funding. (June 13, 2011)

R. From the President, copy of a letter from the Chairman and President to the Governor concerning the State budget. (June 16, 2011)

S. From the President, statement in support of the Governor's plan for the State budget. (June 26, 2011)

T. From the Chairman and Chairman-Elect, letter announcing the appointment of the Secretary and Chief of Staff to The Regents. (June 27, 2011)

Chairman Lansing thanked the meeting participants. She observed that decisions taken on this day had been difficult for all the Regents, but that the University must move forward. The University was developing plans to address the Legislature together with the California State University, the California Community Colleges, students, and staff.

The meeting adjourned at 12:50 p.m.

Attest:

Secretary and Chief of Staff

Pending Approval

Attachment 1

Deletions shown by strikethrough

Regents Policy 7203: POLICY ON UNIVERSITYWIDE AND SENIOR LEADERSHIP COMPENSATION

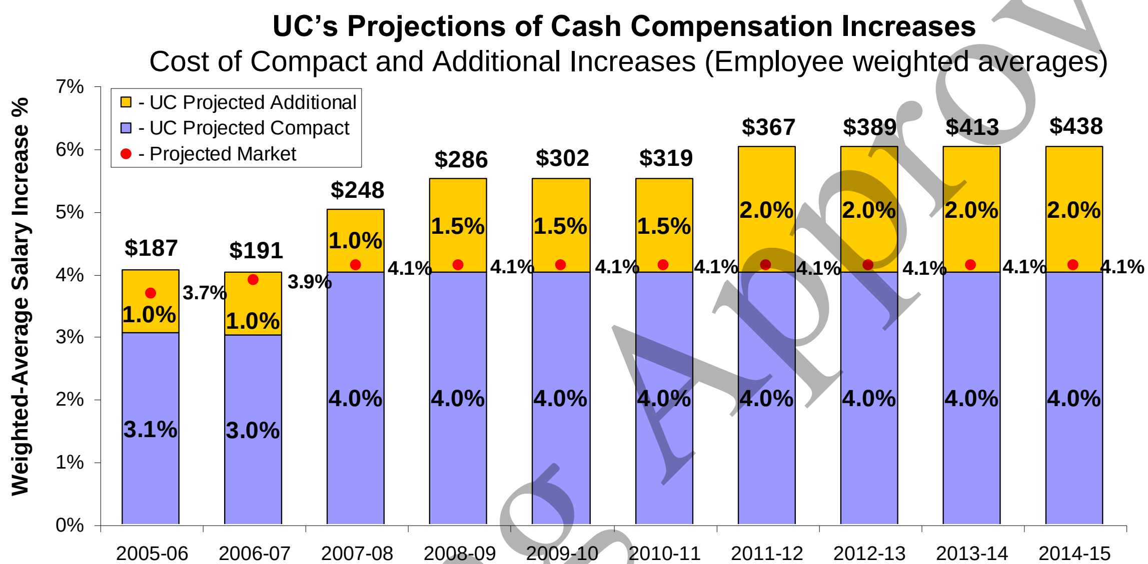
To adopt the goals of obtaining, prioritizing, and directing funds, to the extent they are available, to increase salaries to achieve market comparability for all groups of employees over the ten year period from 2006-2007 through 2015- 2016, as described in Attachment 1.

Pending Approval

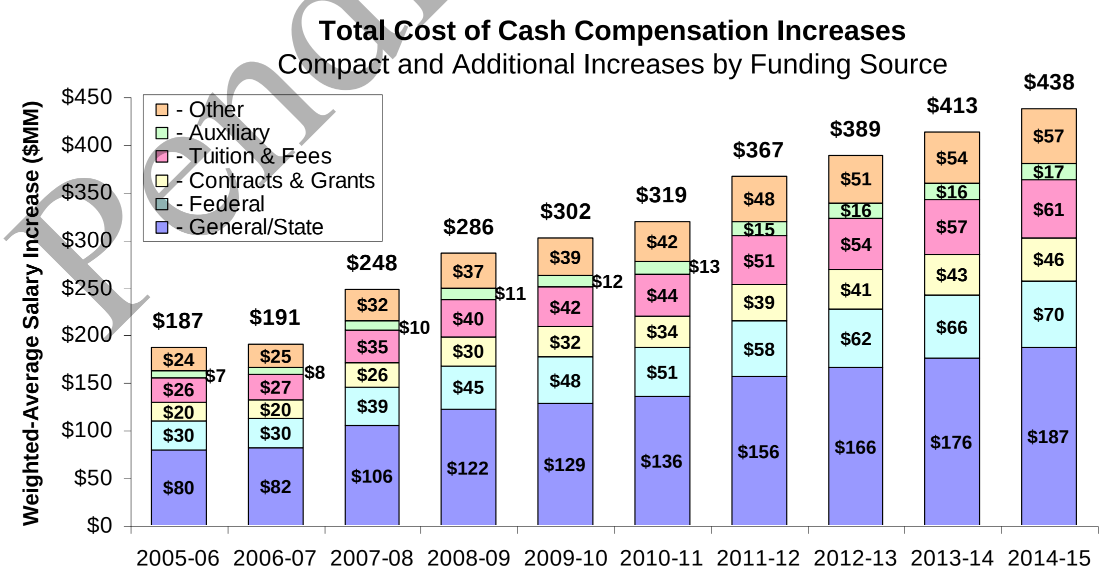
Attachment 1

TO ESTABLISH GOALS TO OBTAIN, PRIORITIZE, AND ALLOCATE FUNDS, TO THE EXTENT THEY ARE AVAILABLE, TO INCREASE SALARIES TO ACHIEVE MARKET COMPARABILITY FOR ALL GROUPS OF EMPLOYEES OVER THE TEN-YEAR PERIOD FROM 2006-2007 THROUGH 2015-2016.

The following tables show the proposed goals for *cash* compensation and sources of funds over the next ten years to achieve market comparability. The *total* cost of achieving comparability (in current dollars) is $2.5 billion using a 4.0 percent growth rate.



NOTE: Salary increase percentages provided by UCOP; total cost based on payroll at Campuses and UCOP as of March, 2005



NOTE: Percent breakdown of funding sources provided by UCOP and remain constant over time

Pending Approval

In summary, the recommendations will result in the following actions, which are described in more detail in the policies, priorities, and process for senior leadership discussed in Recommendation B below and Appendix 1.

The University will actively pursue obtaining additional funds from State and all other resources.

The Regents will determine annually the amount of funds available for this purpose ~~to be allocated to each campus and to the Office of the President~~.

~~The Regents will set annually Universitywide and campus-specific funding levels and priorities for the use of funds, as recommended by the President, for all groups of employees, considering such factors as total compensation discrepancies, retention, recruitment, performance, and other matters.~~

Pending Approval

Attachment 2

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
INTEREST RATE SWAP GUIDELINES
(July, 2011)

Under the University's Standing Order 100.4(nn) the President has the authority to enter into interest rate swap transactions. The President has delegated sole authority to enter into these transactions, in a manner consistent with the guidelines enumerated below, to the Executive Vice President – Chief Financial Officer (CFO) under DA 2252.

A. GUIDELINES

I. PURPOSE

These guidelines will direct the use of interest rate swaps in conjunction with the Regents' debt portfolio. Interest rate swaps can be utilized by the Regents as part of its overall asset/liability risk management strategy for its revenue bond programs. The Regents may enter into interest rate swap transaction(s) if the transaction is expected to result in at least one of the following:

- to reduce exposure to changes in interest rates on either a current or future debt issue(through the use of anticipatory hedging instruments)
- to manage asset/liability interest rate risk
- to lower the overall expected net cost of capital of a borrowing as compared to products available in the bond market
- to manage variable interest rate exposure consistent with prudent debt practices
- to achieve more flexibility in meeting overall financial objectives than can be achieved in the bond market
- manage the Regent's credit exposure to financial institutions and other entities through the use of offsetting swaps and other credit management products

These guidelines apply only to interest rate swaps and do not apply to commodity, currency or credit default swaps or other types of hedging or derivative products, which are not authorized by the Regents.

The Regents will not enter into swaps for speculative purposes.

II. NON-SPECULATION

While the Regents may use swaps to increase or decrease the amount of floating-rate exposure on its balance sheet, the Regents will not enter into swaps under any of the following circumstance as determined in each case by the President or as delegated to the CFO:

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- The swap exposes the Regents to extraordinary leverage or risk;
- The swap serves a purely speculative purpose, such as entering into a swap for the sole purpose of trading gains;
- The Regents is unable to reasonably anticipate that it will have sufficient liquidity or financing capacity to terminate the swap at market levels if it should need to;
- There is insufficient pricing data available to allow the Regents and its advisors to adequately value the swap.

III. AUTHORITY

Prior to entering into a specific swap transaction, the transaction must receive: 1) approval of the Chair Board of Regents (or the Vice Chair if the Chair is not available) and the Chair of the Committee on Finance (or the Vice Chair if the Chair is unavailable) and 2) and an opinion from counsel to the effect that (a) that the agreement relating to the swap transaction is a legal, valid and binding obligation of the Regents and the counterparty and (b) that entering into the transaction complies with applicable state and Federal laws.

IV. SENIOR MANAGEMENT OVERSIGHT

The President shall direct the CFO to review this policy periodically to take into account business and market changes. The CFO shall be responsible for insuring the implementation of this policy and proposing amendments to the policy to take into consideration, any or all of the following, as applicable:

- An analysis of the reasonableness of the proposed activities in relation to the Regents' overall financial condition and capital levels;
- An analysis of the risks that may arise from the implementation of a swap portfolio;
- An analysis of the performance of existing and pro forma swap transactions over time as market conditions may change;
- Impact of counterparty exposure as counterparty credit ratings change over time;
- Potential effects that the swap portfolio may have on the credit ratings of any Regents' obligations assigned by the rating agencies;
- The relevant accounting guidelines;
- The relevant tax treatment; and
- An analysis of any changes to any applicable legislation and any new legal restrictions which may impact the enforceability of the swap obligations.

V. FORM OF AGREEMENTS

Each interest rate swap transaction shall be governed by the terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, as amended or supplemented by Schedules, Credit Support Annexes and Confirmations. The swap agreements between

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the Regents and each qualified swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the CFO deems necessary or desirable.

VI. QUALIFIED SWAP COUNTERPARTIES

Swaps will be executed with counterparties possessing minimum counterparty ratings in the "AA" ratings category by at least one nationally recognized rating agency. Counterparties may meet these ratings criteria based on their own credit ratings or the credit ratings of their guarantors or credit enhancers. Exceptions may be granted if specifically approved in writing by the CFO. All counterparties will be required to post collateral (subject to threshold amounts) for the Regents' benefit in the event they fall below specific ratings thresholds.

VII. METHODS OF SOLICITING AND PROCURING SWAPS

Swaps can be procured on a competitive or negotiated basis.

BASIS OF AWARD

Competitive Bid. As a general rule, a competitive selection process will be used whenever reasonable, if the product is relatively standard, if it can be broken down into standard components, if multiple providers have proposed a similar product to the Regents, or if competition will not create market pricing effects that would be detrimental to the Regents' interests. If it is determined that a Swap should be competitively bid, the Regents may employ a hybrid structure to reward unique ideas or special effort by reserving a specified percentage of the Swap to the firm presenting the ideas on the condition that the firm match or improve upon the best bid. The competitive bid should solicit bids from a minimum of three firms. Solicitations for bids must be made only to potential counterparties who are qualified under the terms of this policy.

Negotiated Transaction. The CFO may procure swaps by negotiated methods in the following situations as he or she determines:

(a) A determination is made by the CFO that due to the complexity of a particular swap; a negotiated process is advisable.
(b) A determination is made that a negotiated transaction will assist the Regents and reward innovation and a high level of service in the provider's capacity as part of the Regent's investment banking team;
(c) A determination is made that the negotiated process will facilitate counterparty diversification which is in the best interest of the Regents;
(d) A determination is made that the negotiated process will avoid market pricing effects that would be detrimental to the Regent's interest.

To provide safeguards on negotiated transactions, the Regents will secure outside professional financial advice to assist in the process of structuring, documenting and pricing the transaction and to render an

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opinion that a fair price was obtained. In all transactions, regardless of procurement method, the counterparty shall be required to first disclose any and all payments to third parties (including lobbyists, consultants and attorneys) who had any involvement in assisting the counterparty in securing business with the Regents.

VIII. MANAGEMENT OF SWAP RELATED RISK

Swap agreements present certain risks for the Regents. The CFO will consider the following risks and follow the related guidelines and parameters upon entering into each Swap agreement.

COUNTERPARTY RISK. Swaps are financial contracts under which the parties assume credit exposure to one another. Limiting the maximum potential exposure caused by a concentration of swap agreements with one counterparty is advisable. In order to manage this risk the CFO will:

1) Target the maximum potential exposure of Swaps between a particular Counterparty and the Regents not to exceed 50% of the total maximum potential exposure of the Regents' entire swap and overall credit portfolio, when logistically possible. Exposures on off-setting swaps may be considered when calculating net maximum potential exposure.

2) Require collateralization provisions by the counterparty based on credit rating thresholds.

AA-/Aa3 and above	$30 million
A+/A1	$20 million
A/A2	$10 million
A-/A3	$5 million
Baa1/BBB+ and below	Zero

3) Require optional termination rights for the benefit of the Regents if the counterparty is downgraded below the "A" ratings category by a nationally recognized ratings agency.

TERMINATION RISK. A swap termination, in general, should produce a benefit to the University either through a receipt of payment from a termination, or if a termination payment is made by the University, through conversion to a more beneficial debt position. The University can consider a provision in a swap agreement that permits an optional termination at any time over the term of the swap. In some circumstances, a termination payment by or to the University may be required in the event of termination of a swap agreement due to a counterparty default or decrease in credit rating.

AMORTIZATION RISK. Mismatched swap and bond amortization schedules can result in a less than perfect hedge and create additional risk. The amortization schedules of the debt and associated swap should be closely matched for the duration of the swap. The term and notional amount of the swap should generally not exceed the term and amount of the associated debt.

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BASIS RISK. There exists the potential for the cashflows on the underlying floating rate bond issue to not match the floating leg of the swap**.** To mitigate this risk, any index chosen as the basis of a swap agreement shall be an industry recognized market index that includes but is not limited to SIFMA (Securities Industries and Financial Market Association) Municipal Swap Index or LIBOR (London Interbank Offered Rate). The potential risk of the University is making/receiving payments based on the specified index should be evaluated and quantitatively measured prior to entering into a swap.

TAX RISK. The risk that tax-exempt bond rates may unexpectedly increase or fluctuate due to changes in the tax code is called tax risk. Tax risk is present in all tax-exempt debt issuances. When entering into swaps associated with tax-exempt bonds, tax risk involves tax-exempt bond rates consequently diverging from the specified swap index (a form of basis risk). Tax risk should be evaluated prior to entering into a swap agreement. This risk will be regularly monitored.

IX. MEASURING SWAP EXPOSURE

The Regents will measure swap exposure not based on notional amount, but rather on the risk to the Regents of potential termination payments (either by the Regents or to the Regents by the counterparties). Maximum potential exposure also referred to as "Peak Exposure," will be determined by a quantitative measure that reflects the size, term, and projected volatility of the swaps. Peak Exposure provides a quantification of the Regents' worst case swap exposure. It is calculated by applying stress tests to the Regents' swaps to show how large the potential termination costs of the swaps could be if markets moved in an extremely adverse manner. Market movements are typically calculated assuming a two standard deviation change in market rates, based on historic volatilities, to provide better than 95% degree of confidence.

In order to accurately determine the potential risks from entering into new interest rate swaps, prior to entering into new swap agreements, the CFO will prepare for the President, the Chair of the Board and the Chair of the Finance Committee an updated analysis of Peak Exposure, both with and without the proposed new swap agreement. This will be attached as part of the authorization request.

In order to limit the Regents' counterparty risk, the Regents will seek to avoid excessive concentration to a single counterparty or guarantor by diversifying its counterparty exposure over time. Exposure to any counterparty or guarantor will be measured using peak exposure analysis.

X. REPORTING

The Annual Financial Report prepared by the University of California Office of the President and presented to the Board of Regents will discuss all interest rate swaps. The notes to the financial statements shall include the following information:

- A summary of swap agreements, including but not limited to the type of swap, the rates paid by the Regents and received by the Regents, indices, and other key terms.
- Market values of the Regents' swap agreements.

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- The credit rating of each swap counterparty or credit enhancer (where relevant).
- Actual collateral posting by a swap counterparty, if any, per swap agreement and in total by swap counterparty.
- Any termination events that have occurred.
- A summary of derivative instrument activity during the reporting period and balances at the end of the reporting period.

The Regents may hire a financial advisor to assist in the monitoring of its swaps on an on-going basis.

B. DEFINITIONS

Authorized Representative – Includes the President and as delegated Executive Vice President – CFO.

Counterparty – The participant to which an exchange of payments is made.

Interest Rate Swap - Involves exchanging a fixed amount per payment period for a payment that is not fixed, or in the case of a basis swap, an amount based on one floating rate index for another. In an interest rate swap, the principal amount is never exchanged.

ISDA Master Agreement - The International Swaps and Derivatives Association (ISDA) is a trade organization of participants in the market for over-the-counter derivatives. The ISDA Master Agreement is a standardized contract that serves as the framework between two counterparties to enter into a swap.

London Interbank Offered Rate (LIBOR) – The interest rate that the banks charge each other for loans (usually in Eurodollars). A commonly used base index for swap agreements.

Notional Amount - Nominal or face amount that is used to calculate payments for the swap agreement.

SIFMA Index - The Securities Industry and Financial Markets Association Municipal Swap Index , produced by Municipal Market Data, is a 7-day high-grade market index comprised of tax-exempt variable rate demand bonds. It is the principal floating rate index for municipal floating rate bonds.

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SUMMARY OF CONSULTING ACTUARY'S RECOMMENDATIONS REGARDING ACTUARIAL ASSUMPTIONS FOR UCRP

Inflation—Affects projections of investment returns, active member salary increases, cost-of-living adjustments for retirees. Recommendation: Maintain rate at 3.50 percent per annum.

Investment Return—Estimates average future net rate of return on assets over projected lifetime of the Plan as of the valuation date. Recommendation: Maintain rate at 7.50 percent per annum.

Individual Salary Increases—Includes salary increases due to inflation, real "across the board" salary increases and promotional and merit increases in salary. Recommendation: Maintain the current inflationary salary increase assumption at 3.50 percent; increase the "across the board" salary increase assumption from 0.25 percent to 0.50 percent; reduce the promotional and merit increase assumptions consistent with the tables established for staff and faculty in the Report.

Retirement Rates—Predicts the probability of retirement at each age at which members are eligible to retire. Recommendation: Structure retirement rates as a function of both age and years of service for staff members; for faculty and safety members, continue to structure retirement rates as a function of age only; for deferred vested members, maintain the assumed retirement age at 59.

Mortality Rates—Estimates the probability of dying at each age. Recommendation: For nondisabled members, decrease the mortality rates consistent with the RP-2000 Combined Healthy Mortality Tables projected to 2025 with a two-year set back; for disabled members, decrease the mortality rates consistent with the RP-2000 Disabled Retiree Mortality Tables projected to 2025 with a two-year set back for males and no set back for females.

Termination Rates—Estimates the probability of leaving active UCRP membership at each age and receiving either a refund of member contributions or a deferred vested retirement benefit. Recommendation: Implement service-based termination rates and increase the current termination rates overall. Also, implement a new assumption that a member will choose between a refund of contributions and a deferred vested benefit based on which option has the greater present value at termination.

Disability Incidence Rates—Estimates the probability of becoming disabled at each age. Recommendation: Decrease the current disability rates overall as described in the Report.

Eligible Survivor Assumptions—Projects the probability of having a survivor at death. Recommendation: Maintain current percentages, which assume that 85 percent of male members and 65 percent of female members will have an eligible survivor at time of death.

Conversion of Unused Sick Leave—Projects amount by which UCRP service credit may be increased due to conversion of unused sick leave. Recommendation: Slightly decrease the current assumption for faculty and safety members retiring from active membership and slightly increase the current assumption for staff members retiring from active membership.

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Lump Sum Cashout Take-Rate—Estimates the probability of electing a lump sum in lieu of retirement. Recommendation: For employees terminating while active members, structure the take-rate as a function of years of service; for all others, maintain a flat percentage regardless of years of service.

Future Benefit Accruals—Projects amount of service credit to be earned by active members in years after valuation date: Recommendation: No change to current assumption that all active members earn one year of service credit each year in the future.

UCRP Administrative Expenses—Projects fees for administrative, legal, accounting, and actuarial services carried out by the Plan. Recommendation: No change to the percentage loading to the normal cost of 0.50 percent of payroll.

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Attachment 4

SUMMARY OF CONSULTING ACTUARY'S RECOMMENDATIONS THAT ALSO APPLY TO OTHER UC BENEFIT PLANS

Recommended assumption changes carrying over to the actuarial valuations of other UC benefit plans—

- UC-PERS Plus 5 Plan: Mortality Rates
- Retiree Health Benefit Program: Retirement Rates, Mortality Rates, Termination Rates, Disability Incidence Rates and Lump Sum Cashout Take-Rate.

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ATTACHMENT 5

FY 2011-12 BUDGET SUMMARY
OFFICE OF THE PRESIDENT

	TOTAL BUDGET			UNRESTRICTED BUDGET			
	TOTAL FY 2010-11 BUDGET	CHANGE	TOTAL FY 2011-12 BUDGET	TOTAL FY 2010-11	CHANGE	% CHANGE	TOTAL FY 2011-12
GENERAL ADMINISTRATION	**$ 95,078,120**	**$ (937,444)**	**$ 94,140,676**	**$ 60,399,855**	**$ (4,311,311)**	**-7%**	**$ 56,088,544**
OP Core Administration	**55,129,568**	**1,751,340**	**56,880,908**	**41,434,557**	**(1,152,173)**	**-3%**	**40,282,384**
Academic Affairs	12,511,076	(280,618)	12,230,458	12,379,369	(349,783)	-3%	12,029,586
Finance	3,836,588	1,171,386	5,007,974	1,864,153	136,672	7%	2,000,825
Business Operations	18,346,483	471,040	18,817,523	13,544,453	(1,039,473)	-8%	12,504,980
President's Exec. Office	4,741,706	(223,568)	4,518,138	4,485,356	(233,744)	-5%	4,251,612
Health Sciences	3,928,656	50,918	3,979,574	2,100,656	50,918	2%	2,151,574
External Relations	8,185,281	449,057	8,634,338	7,060,570	283,237	4%	7,343,807
Lab Management	3,579,778	113,125	3,692,903	-	-	-	-
Academic Senate	**1,807,561**	**(162,373)**	**1,645,188**	**1,807,561**	**(162,373)**	**-9%**	**1,645,188**
Regents Officers	**38,140,991**	**(2,526,411)**	**35,614,580**	**17,157,737**	**(2,996,765)**	**-17%**	**14,160,972**
General Counsel	10,556,547	(2,324,014)	7,832,533	9,509,356	(2,672,185)	-28%	6,837,171
Secretary/COS	2,954,319	(98,334)	2,855,985	2,949,319	(98,334)	-3%	2,850,985
Ethics & Compliance	4,704,105	(226,246)	4,477,859	4,699,062	(226,246)	-5%	4,472,816
Treasurer	19,926,020	522,183	20,448,203	-	-		
CENTRAL SERVICES (ADMINISTRATION)	**122,160,704**	**3,888,555**	**126,049,259**	**70,180,864**	**3,564,301**	**5%**	**73,745,165**
Central Administrative Services	**88,518,254**	**4,104,098**	**92,622,352**	**36,538,414**	**3,779,844**	**10%**	**40,318,258**
ACADEMIC AFFAIRS				-	-		
Admissions/Enrollment Services	13,442,145	(1,192,419)	12,249,726	12,507,145	(1,189,341)	-10%	11,317,804
Financial Aid Services	2,345,537	-	2,345,537	2,345,537	-	0%	2,345,537
Technology Transfer	1,017,650	-	1,017,650	1,017,650	-	0%	1,017,650
Other Academic Initiatives	707,747	92,253	800,000	707,747	92,253	13%	800,000
BUSINESS OPERATIONS		-		-			-
Compensation, Retirement, Benefits	41,191,195	(86,593)	41,104,602	4,885,610	(686,224)	-14%	4,199,386
Information Technology Services	7,442,490	(730,961)	6,711,529	4,743,666	2,103,007	44%	6,846,673
Systemwide Budget/Facilities	4,735,125	(18,847)	4,716,278	4,425,019	(33,725)	-1%	4,391,294
CHIEF FINANCIAL OFFICER				-			-
Banking, Tax, Accounting and Audit	7,075,078	(795,089)	6,279,989	3,190,525	(370,533)	-12%	2,819,992
External Financing	780,596	33,611	814,207	-	-	-	-
Office of Loan Programs	1,424,794	3,884	1,428,678	-	-	-	-
Risk Services	15,000	(15,000)	-	-	-	-	-
Strategic Sourcing	191,366	12,538	203,904	191,366	3,012,538	1574%	3,203,904
Travel Management Services	377,101	4,114	381,215	364,664	3,725	1%	368,389
EXTERNAL RELATIONS							
Institutional Advancement	2,992,232	(276,856)	2,715,376	542,232	(151,856)	-28%	390,376
HEALTH SCIENCES							
Clinical Trials Fund	-			-	1,000,000	100%	1,000,000
Centrally Funded	**33,642,450**	**(215,543)**	**33,426,907**	**33,642,450**	**(215,543)**	**-1%**	**33,426,907**
Debt service, rent, business processing, undistributed benefits and other							
CENTRAL SERVICES (ACADEMIC PROGRAMMING)	**189,807,236**	**(11,178,804)**	**178,628,432**	**81,701,443**	**(22,718,246)**	**-28%**	**58,983,197**
AGRICULTURE & NATURAL RESOURCES (OP)	3,544,870	(217,664)	3,327,206	2,944,003	(217,664)	-7%	2,726,339
INFO PUBLISHING & BROADCAST	44,944,612	(209,352)	44,735,260	17,234,299	(1,717,230)	(0)	15,517,069
Including California Digital Library and UC Press							
PREPARATION & ACCESS	19,906,464	(1,616,525)	18,289,939	11,406,464	(2,138,876)	-19%	9,267,588
RESEARCH	102,945,626	(17,876,863)	85,068,763	45,793,567	(17,608,939)	-38%	28,184,628
SYSTEMWIDE INSTRUCTION PROGRAMS	18,465,664	8,741,600	27,207,264	4,323,110	(1,035,537)	-24%	3,287,573
SYSTEMWIDE INITIATIVES	**169,969,127**	**(15,460,508)**	**154,508,619**	**138,488,289**	**(15,460,508)**	**-11%**	**123,027,781**
Agriculture & Natural Resource (Systemwide)	**85,523,228**	**(3,113,178)**	**82,410,050**	**62,263,566**	**(3,113,178)**	**-5%**	**59,150,388**
Multi-Campus Research Units	**14,869,571**	**(500,000)**	**14,369,571**	**11,958,395**	**(500,000)**	**-4%**	**11,458,395**
Systemwide Initiatives	**69,576,328**	**(11,847,330)**	**57,728,998**	**64,266,328**	**(11,847,330)**	**-18%**	**52,418,998**
PRESIDENTIAL INITIATIVES	10,000,000	-	10,000,000	10,000,000	-		10,000,000
ADMISSIONS & FINANCIAL AID	759,000	(613,000)	146,000	759,000	(613,000)	-81%	146,000
ADVOCACY/DEVELOPMENT	7,947,000	(7,597,000)	350,000	7,947,000	(7,597,000)	-96%	350,000
FACILITIES	16,998,000	-	16,998,000	16,998,000	-	-	16,998,000
INFO PUBLISHING & BROADCAST	1,292,500	(1,279,915)	12,585	1,292,500	(1,279,915)	-99%	12,585
INSTITUTIONAL SUPPORT	9,941,108	(360,158)	9,580,950	9,671,108	6,139,842	63%	9,310,950
PUBLIC SERVICE	1,601,947	(367,000)	1,234,947	1,601,947	(367,000)	-23%	1,234,947
RESEARCH	19,202,085	(1,225,335)	17,976,750	14,377,085	(1,225,335)	-9%	13,151,750
SYSTEMWIDE INSTRUCTION PROGRAMS	1,834,688	(404,922)	1,429,766	1,619,688	(404,922)	-25%	1,214,766
GRAND TOTALS	**$ 577,015,187**	**$ (23,688,202)**	**$ 553,326,985**	**$ 350,770,451**	**$ (38,925,765)**	**-11%**	**$ 311,844,686**

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POLICY ON DISCLOSURES REGARDING USE OF PLACEMENT AGENTS FOR THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM INVESTMENTS

Each External Manager proposing an investment to be made by or on behalf of the University of California Retirement System must comply with one of the following two requirements:

(1) If the External Manager will not use any Placement Agents in connection with the proposed investment, the External Manager must provide the Treasurer with a written statement to that effect.

(2) If the External Manager will use a Placement Agent in connection with the proposed investment, the External Manager must disclose the following information in writing to the Treasurer:

- A description of the relationship between the External Manager and any Placement Agents for the investment for which funds are being raised.
- Whether the Placement Agent's mandate includes the Regents of University of California as trustee/custodian.
- A description of the services performed by the Placement Agent.
- A description of any and all payments of any kind provided or agreed to be provided to a Placement Agent by the External Manager with regard to investments by the Regents as a plan trustee or custodian of retirement or savings plan assets.
- Upon request, the resume for each officer, partner or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience.
- A statement as to whether the Placement Agent, or any of its affiliates, is registered with the Securities Exchange Commission.
- A statement as to whether the Placement Agent, or any of its affiliates, is registered as a lobbyist under California law.

The Treasurer will only enter into agreements to invest in or through External Managers that agree to comply with the Regents' Policy on Disclosures Regarding the Use of Placement Agents for University of California Retirement System Investments. The Treasurer will rely on the written statements made by the External Manager.

For purposes of this Policy:

"External Manager" means a (i) person who is seeking to be, or is, retained by the Regents to manage a portfolio of securities or other assets for compensation or (ii) a person managing an

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investment fund who offers or sells, or has offered or sold, an ownership interest in the investment fund.

“Placement Agent” means a person directly or indirectly hired, engaged or retained by, or serving for the benefit of or on behalf of, an External Manager or an investment fund managed by an External Manager, who acts, or has acted, for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to the Regents of either the investment management services of the External Manager or an ownership interest in an investment fund managed by the External Manager. Any exceptions to this definition of “Placement Agent” available under Sections 7513.8 or Section 82047.3 of the California Government Code will apply under this Policy.

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