The Regents of the University of California

COMMITTEE ON COMPENSATION
January 23, 2014

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

Members present: Regents Blum, De La Peña, Feingold, Kieffer, Reiss, and Ruiz; Ex officio members Lansing, Napolitano, and Varner; Advisory member Gilly

In attendance: Regents Flores, Gould, Island, Makarechian, Newsom, Pattiz, Schultz, Sherman, and Zettel, Regents-designate Engelhorn, Leong Clancy, and Saifuddin, Faculty Representative Jacob, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Provost Dorr, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Brown, Duckett, and Lenz, Chancellors Blumenthal, Desmond-Hellmann, Drake, Katehi, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 11:25 a.m. with Committee Chair Kieffer presiding.

1. **READING OF NOTICE OF MEETING**

For the record, it was confirmed that notice had been given in compliance with the Bylaws and Standing Orders for a special meeting of the Committee on Compensation to be held concurrently with the regularly scheduled meeting of the Committee for the purpose of considering the total compensation for Jagdeep S. Bachher as Chief Investment Officer and Vice President – Investments, Office of the President.

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

Upon motion duly made and seconded, the minutes of the meeting of November 14, 2013 were approved.

3. **APPROVAL OF INDIVIDUAL APPOINTMENT AND COMPENSATION ACTIONS AS DISCUSSED IN CLOSED SESSION**

A. ***Contract Compensation for Robert A. Williams as Head Men's Basketball Coach, Santa Barbara Campus***

Background to Recommendation

Approval was requested for the contract compensation of Robert A. Williams, Head Men's Basketball Coach, Santa Barbara campus, effective January 1, 2014 through August 31, 2017.

Coach Williams has compiled a record of 258-201 in 15 years. This current season will mark Coach Williams' 16th season as Head Coach at UC Santa Barbara. Coach Williams has been named Big West Coach of the Year three times. Under his direction, the UC Santa Barbara Men's Basketball Team has had 11 winning seasons, and the 23 games won in 2007-08 is a campus record. The campus looks forward to continuing success for the program under Coach Williams' leadership. Coach Williams is now serving on the National Collegiate Athletic Association (NCAA) Ethics Committee, which reflects positively on him as well as the UC Santa Barbara program. The requested increase in compensation acknowledges his record of success and his value to the program and aims to secure his continued commitment beyond the term of his existing contract, which expires on August 31, 2016.

The campus sought approval to increase Coach Williams' annual guaranteed compensation, which consists solely of base salary, from $235,000 to $314,963 during the first 12 months of his contract (January 1, 2014 through December 31, 2014). This represents an increase of 34 percent ($79,963) to his annual guaranteed compensation. From January 1, 2014 through June 30, 2014, Coach Williams will be paid $154,250 in base salary (six months at the annualized rate of $308,500). He will receive a 4.2 percent increase in base salary as of July 1, 2014, resulting in a base salary of $160,713 for the period from July 1, 2014 through December 31, 2014 (six months at the annualized rate of $321,425). A portion of the salary increase ($50,000) will be paid from revenues generated by the program. The rest of the base salary will be funded by student services fees. Regental approval is required for this increase because it exceeds the 30 percent increase allowed under the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide (*September 2008 Parameters). In each year of the contract, Coach Williams' annualized guaranteed compensation will increase by 4.2 percent on July 1 until it reaches a maximum of $364,208 on July 1, 2017. The cumulative total of total guaranteed compensation under the proposed contract represents a 41.6 percent increase over that of the current contract (with the duration of the current contract adjusted so that it does not affect the comparison).

In addition, the campus sought approval for an increase in Coach Williams' annual incentive potential from $165,000 to $225,000, which represents an increase of 36.4 percent. Regental approval is required for this increase because it exceeds the 15 percent increase allowed under the September 2008 Parameters.

All other compensation elements to be included in the new contract are within the September 2008 Parameters and therefore do not require Regental approval.

The source of funding for this position is non-State funds; the position will be funded with program-generated revenue and student services fees. Regents' approval is required for the funding source because the September 2008 Parameters require Regental approval when the funding for a coach contract comes from sources other than athletic department revenues (including athletic equipment supplier agreements) or private fundraising. Use of student services fees to fund the position is consistent with Regents policy and presidential guidelines.

Recommendation

The Committee recommended approval of the following items in connection with the contract compensation for Robert A. Williams as Head Men's Basketball Coach, Santa Barbara campus:

(1) As an exception to the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (September 2008 Parameters), annual guaranteed compensation of $314,963 in the form of base salary in the first 12 months of the contract. The annualized guaranteed compensation will increase by 4.2 percent on July 1 of each year until it reaches a maximum of $364,208 on July 1, 2017. This annual guaranteed compensation is an exception to policy because (a) the annual compensation in the first 12 months of the contract is more than 30 percent greater than it would be under the current contract; and (b) the cumulative total for guaranteed compensation under the proposed contract is more than 30 percent greater than under the current contract (with the duration of the current contract adjusted so that it does not affect the comparison).

(2) As an exception to the September 2008 Parameters, an annual maximum incentive potential of $225,000. This constitutes an exception because the increase is more than 15 percent over the current contract's maximum incentive potential of $165,000.

(3) As an exception to the September 2008 Parameters, the source of funding for this position will come from student fees and program-generated revenue. The September 2008 Parameters require Regental approval when the funding for a coach contract comes from sources other than athletic department revenues (including athletic equipment supplier agreements) or private fundraising.

(4) This contract will be effective January 1, 2014 through August 31, 2017.

Recommended Compensation
Effective Date: January 1, 2014 – August 31, 2017
Base Salary in the first 12 months: $314,963
Talent Fee: $0
Guaranteed Compensation in the first 12 months: $314,963
Maximum Incentive Potential: $225,000
Total Potential Cash Compensation in the first 12 months: $539,963
Funding Source: non-State-funded

Budget &/or Prior Incumbent Data
Title: Head Men's Basketball Coach
Base Salary: $235,000
Talent fee: $0
Guaranteed Compensation: $235,000
Maximum Incentive Potential: $165,000
Total Potential Cash Compensation: $400,000
Funding Source: non-State-funded

The compensation described above shall constitute the University's total commitment for the elements of compensation addressed above until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, 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:	**UC Santa Barbara Chancellor Yang**
Reviewed by:	**President Napolitano**
	Committee on Compensation Chair Kieffer
	Office of the President, Human Resources

B. ***Amendment of Contract Compensation for David A. Durden as Head Men's Swimming and Diving Coach, Berkeley Campus***

Background to Recommendation

The Berkeley campus requested authority to amend the contract compensation for David Durden, Head Men's Swimming and Diving Coach at UC Berkeley, retroactive to May 1, 2012.

The exclusive source of funding for Coach Durden's compensation is athletic department revenues and private fundraising. No State or UC general funds are used.

On April 20, 2013, the campus approved a contract amendment with a salary increase of 2.5 percent, increasing Coach Durden's guaranteed compensation from $165,000 (which consists of $135,000 in base salary and $30,000 in talent fee) to $169,050 (which consists of $139,050 in base salary and $30,000 in talent fee), retroactive to May 1, 2012. Although an increase of this percentage would be within the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (September 2008 Parameters) if it were approved prospectively, Regents' approval is required because the increase was retroactive and therefore an exception to policy. Regents' approval was therefore being sought at this time.

Recommendation

The Committee recommended approval of the following item in connection with the amendment of contract compensation for David A. Durden as Head Men's Swimming and Diving Coach, Berkeley campus:

As an exception to policy, retroactive approval to May 1, 2012 of the 2.5 percent increase in guaranteed compensation (from $165,000 to $169,050) approved by the campus via a contract amendment on April 20, 2013.

The compensation described above shall constitute the University's total commitment for the elements of compensation addressed above until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, 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: **UC Berkeley Chancellor Dirks**
Reviewed by: **President Napolitano**
Committee on Compensation Chair Kieffer
Office of the President, Human Resources

C. ***Appointment of and Compensation for Claude M. Steele as Executive Vice Chancellor and Provost, Berkeley Campus***

Background to Recommendation

Approval was requested for the appointment of and compensation for Claude M. Steele as Executive Vice Chancellor and Provost (EVCP), Berkeley campus, effective March 31, 2014.

Due to the planned retirement of the current incumbent, George W. Breslauer, the Berkeley campus engaged an executive search firm to conduct a national search for the key leadership position of EVCP. Mr. Steele was selected from an outstanding pool of candidates.

The EVCP reports to and works in close partnership with the Chancellor. The EVCP has leadership responsibility for the planning, development, implementation, assessment, and improvement of all academic programs, policies, and supporting infrastructure. The EVCP's portfolio includes the campus' 14 schools and colleges, and the EVCP has ultimate management authority over approximately 9,000 FTEs and the $1.4 billion annual operating budget of the academic enterprise. The EVCP operates in partnership with the highest levels of campus and systemwide leadership, and represents Berkeley on academic issues on campus, to the community, and to a broad range of external constituents. The EVCP collaborates closely with the Vice Chancellor for Administration and Finance on a wide variety of strategic and operational issues, including the management of the campus-wide budget process, comprising in-year operating budget allocations and capital finance. In addition, the EVCP acts in the Chancellor's absence.

UC Berkeley has recently emerged from a period of significant disinvestment by the State of California. The resulting shift in the composition of Berkeley's funding sources in recent years creates a different context for the campus. With State funding at about 12 percent of total resources, Berkeley is now in a significantly more competitive environment – competing for contracts and grants, for philanthropic gifts, and for students who are paying more for their education. Berkeley has met these challenges, emerging stronger from this period, with institutional strategies built on Berkeley's pillars of access and excellence. At this point in its long history, the campus' priorities are to continue to sustain and enhance its academic preeminence in research and teaching, to provide maximum access for students from all socioeconomic backgrounds, and to invest in systems and infrastructure to provide world-class support for teaching, research, and public service. In partnership with the Chancellor, the EVCP will enable Berkeley to pursue continued excellence around these priorities while reaching further to provide even more in the way of commitment to Berkeley's public mission.

Mr. Steele brings substantial leadership experience and academic stature to the role at UC Berkeley with a remarkable track record of success in multiple academic institutions. Mr. Steele currently is Dean of the Graduate School of Education at Stanford University. In that position, he has worked to increase Stanford's engagement with public education, which has included building a major partnership with the San Francisco Unified School District. He served as Provost of Columbia University from 2009 to 2011, before being recruited back to Stanford to assume his current position. At Columbia, he designed and implemented an improved tenure system, and worked effectively to improve diversity across the entire faculty. He also led a major initiative to enhance support for the basic sciences, and reorganized the entire benefits package for faculty and staff. Before his years at Columbia, he served as a professor of psychology at Stanford and provided distinguished service in several administrative positions there. He is a national leader in the field of social psychology.

The assigned Market Reference Zone (MRZ) for the EVCP position has the following range: 25th percentile: $271,000, 50th percentile: $395,000, 60th percentile: $414,000, 75th percentile: $443,000, 90th percentile: $512,000. Based on the scope and complexity of duties, the critical nature of the EVCP role, the current market competition, and the exceptional qualifications of the candidate, the campus proposes an annual base salary of $450,000 for Mr. Steele, which is 1.6 percent above the 75th percentile and 12.1 percent below the 90th percentile of the MRZ. This annual base salary is a significant reduction from Mr. Steele's current compensation.

This position is funded fully or partially by State funds.

<u>Recommendation</u>

The Committee recommended approval of the following items in connection with the appointment of and compensation for Claude M. Steele as Executive Vice Chancellor and Provost, Berkeley campus:

(1) Appointment of Claude M. Steele as Executive Vice Chancellor and Provost, Berkeley campus.

(2) Per policy, an annual base salary of $450,000.

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

(4) Per policy, a relocation allowance of 25 percent of base salary ($112,500), to offset additional unreimbursed expenses associated with accepting the University's offer and relocating at the request of the University. The relocation allowance will be paid in a lump sum subject to the following repayment schedule if Mr. Steele separates from the University within four years of his appointment: 100 percent if separation occurs within the first year of employment, 75 percent if separation occurs within the second year of employment, 50 percent if separation occurs within the third year of employment, and 25 percent if separation occurs within the fourth year of employment, subject to the limitations under policy.

(5) Per policy, a hiring bonus of five percent of base salary ($22,500), as a one-time payment, which is intended to partially offset the loss of income Mr. Steele will experience in accepting the University's offer. The hiring bonus will be paid in a lump sum subject to the following repayment schedule if Mr. Steele separates from the University within four years of his appointment: 100 percent if separation occurs within the first year of employment, 75 percent if separation occurs within the second year of employment, 50 percent if separation occurs within the third year of employment, and 25 percent if separation occurs within the fourth year of employment, subject to the limitations under policy.

(6) 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 after five years of Senior Management Group service).

(7) Per policy, 100 percent reimbursement of actual and reasonable moving expenses associated with moving Mr. Steele's household goods and personal effects from his current primary residence to his new primary residence, subject to the limitations under policy.

(8) Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.

(9) Reimbursement of reasonable travel expenses, as defined by policy, for all business-related visits to the campus prior to Mr. Steele's official start date.

(10) Per policy, accrual of sabbatical credits as a member of tenured faculty.

(11) This appointment is at 100 percent time and effective March 31, 2014.

COMPARATIVE ANALYSIS

Recommended Compensation
Effective Date: March 31, 2014
Base Salary: $450,000
Target Cash Compensation:* $450,000
Funding: partially or fully State-funded

Budget &/or Prior Incumbent Data
Title: Executive Vice Chancellor and Provost
Base Salary: $370,000
Target Cash Compensation:* $370,000
Funding: **p**artially or fully State-funded

*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

COMPETITIVE ANALYSIS FOR EXECUTIVE VICE CHANCELLOR AND PROVOST

	MARKET REFERENCE ZONE FOR BASE SALARY					MARKET COMPOSITE FOR TARGET CASH COMPENSATION					
Percentiles	25th	50th	60th	75th	90th	Percentiles	25th	50th	60th	75th	90th
Market Data	$271K	$395K	$414K	$443K	$512K	Market Data	N/A	N/A	N/A	N/A	N/A
% Difference from Market	66.1%	13.9%	8.7%	1.6%	-12.1%	% Difference from Market	--	--	--	--	--

Survey Source: College and University Professional Association (CUPA) Administrative Compensation Survey. CUPA only reports base salary.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, 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: **UC Berkeley Chancellor Dirks**
Reviewed by: **President Napolitano**
Committee on Compensation Chair Kieffer
Office of the President, Human Resources

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer explained that the Committee had reviewed two compensation action items for coaches earlier that day in closed session, one for Coach Robert Williams as Head Men's Basketball Coach at UC Santa Barbara, increasing his guaranteed compensation to $314,963 effective January 1, 2014, with annual increases of 4.2 percent thereafter for the term of his contract. His incentives would increase to a maximum potential of $225,000. The second was for Coach David Durden as Head Men's Swimming and Diving Coach at UC Berkeley. The Regents were being asked to approve an increase to his guaranteed compensation from $165,000 to $169,050 retroactive to May 1, 2012.

The Regents had also discussed the appointment of and compensation for the new Executive Vice Chancellor and Provost at UC Berkeley, Claude Steele. In addition to standard benefits and relocation reimbursements, Mr. Steele would be provided an annual base salary of $450,000, an automobile allowance, a one-time relocation allowance of $112,500, and a hiring bonus of $22,500, subject to repayment if he left University employment within four years.

The Regents had discussed the term “relocation allowance” and agreed that it was a poor description of this element of compensation, which would be better stated as partial compensation for losses Mr. Steele would incur in moving to UC Berkeley. He would be accepting a $165,000 decrease in compensation and giving up housing benefits provided at Stanford.

Committee Chair Kieffer stated that the University was pleased that Mr. Steele had accepted the offer to join UC Berkeley, and pointed out that provosts at other public institutions like the Universities of North Carolina, Michigan, and Illinois and others were paid around the same level proposed for Mr. Steele. Private universities tend to pay considerably more than UC.

Regent Newsom noted that there was broad consensus to support this action for Mr. Steele. He expressed his concern that the proposed compensation was 41 percent above that of the prior incumbent, more than that for any other provost in the UC system, and more than all but one or two chancellors’ salaries. This action would put pressure on UC executive compensation. Mr. Steele’s qualifications were self-evident, but Regent Newsom emphasized the University’s status as a public university with the public trust, facing potential tuition increases and the need to pay competitive wages to its lowest-paid employees. Although he understood that UC competes with private institutions, he could not support this action.

Chairman Varner corrected a statement made Regent Newsom, emphasizing that no undergraduate resident tuition increase was being discussed at this time.

Committee Chair Kieffer observed that concern about the public trust was the reason for many Regents to vote in favor of this action. Mr. Steele is an outstanding African American scholar who has held administrative positions at Columbia and Stanford Universities. He would accept a decrease in compensation of more than $165,000 to join a great public university.

Regent Feingold asked that the Chairman work with the UC administration so that one condition for the bonus awards included in the retention and hiring of athletic coaches be the academic performance of their athletes.

Committee Chair Kieffer recalled that State funds are not used for the compensation for coaches and athletic directors; the source of funding is athletic program revenues or student fees approved by student referenda.

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

4. **APPROVAL OF COMPENSATION FOR SAMUEL HAWGOOD AS ACTING CHANCELLOR, SAN FRANCISCO CAMPUS AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The President recommended the appointment of and compensation for Samuel Hawgood to serve as Acting Chancellor of the University of California, San Francisco. Dr. Hawgood will serve until the appointment of a successor to Chancellor Susan Desmond-Hellmann, who is departing at the end of March 2014 to become Chief Executive Officer of the Bill and Melinda Gates Foundation.

Dr. Hawgood will retain his current responsibilities as Dean – School of Medicine and Vice Chancellor – Medical Affairs while serving as Acting Chancellor, and will continue to receive his current compensation of $658,975, which is comprised of a base salary of $463,500 and negotiated payment from the Health Sciences Compensation Plan (HSCP) in the amount of $195,475.

Dr. Hawgood became Dean – School of Medicine and Vice Chancellor – Medical Affairs at UC San Francisco in September 2009 after serving as Interim Dean – School of Medicine from December 2007. He has been a UC San Francisco faculty member for 30 years.

Dr. Hawgood earned his medical degree at the University of Queensland in Australia, completed a residency in pediatrics at the Royal Children's Hospital in Brisbane, Australia, and joined UC San Francisco's faculty in 1984. In addition to his distinguished career at UC San Francisco where he has been Chair of the Department of Pediatrics and Associate Director of the Cardiovascular Research Institute, he has an international reputation in neonatology research. His scientific contributions over the past decades have been recognized by numerous awards, publications, and invitations to present in national and international forums. Dr. Hawgood is a member of the American Academy of Pediatrics and was elected in 2010 to the Institute of Medicine (IOM), part of the National Academy of Sciences.

Dr. Hawgood has maintained an active presence in clinical medicine since serving first as Division Chief of Neonatology, then as Chair of Pediatrics and Physician-in-Chief of the UC San Francisco Benioff Children's Hospital. He is President of the UCSF Medical Group, the faculty plan that represents more than 1,000 physicians at UC San Francisco.

As Dean – School of Medicine, Dr. Hawgood is responsible for an organization of approximately 15,000 employees, 3,500 medical and graduate students, residents, fellows, and postdoctoral scholars, and an operating budget of over $1.5 billion.

Recommendation

The Committee recommended that, contingent upon and effective with Samuel Hawgood's appointment by the Regents as Acting Chancellor of the San Francisco campus, the following items be approved in connection with that appointment:

(1) Per policy, continued annual base salary of $463,500 funded by non-State sources for the duration of the acting appointment.

(2) Per policy, continued eligibility to receive $195,475 through participation in the Health Sciences Compensation Plan.

(3) Per policy, annual automobile allowance of $8,916 while serving as Acting Chancellor.

(4) Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.

(5) Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.

(6) Per policy, continued participation in standard pension and health and welfare benefits (including senior management life insurance and executive salary continuation for disability).

(7) Per policy, continued accrual of sabbatical credits as a member of tenured faculty.

COMPARATIVE ANALYSIS

Recommended Compensation
Effective Date: on or about March 31, 2014
Base Salary: $463,500
Health Sciences Compensation Plan: $195,475
Target Cash Compensation:* $658,975
Funding: non-State-funded

Budget &/or Prior Incumbent Data
Title: Chancellor
Base Salary: $450,000
Target Cash Compensation:* $450,000
Funding: non-State-funded

*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend. For participants in the Health Sciences Compensation Plan (HSCP), Target Cash Compensation also includes HSCP payments.

COMPETITIVE ANALYSIS FOR CHANCELLOR

	MARKET REFERENCE ZONE FOR BASE SALARY					**MARKET COMPOSITE FOR TARGET CASH COMPENSATION**				
Percentiles	**25th**	**50th**	**60th**	**75th**	**90th**	**25th**	**50th**	**60th**	**75th**	**90th**
Market Data	$380K	$508K	$583K	$695K	$876K	$374K	$638K	$696K	$782K	$868K
% Difference from Market	22.0%	-8.8%	-20.5%	-33.3%	-47.1%	76.2%	3.3%	-5.3%	-15.7%	-24.1%

Survey Source: College and University Professional Association (CUPA) survey and Mercer Chancellor Compensation Survey

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, 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 Napolitano**
Reviewed by: **Committee on Compensation Chair Kieffer**
Office of the President, Human Resources

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer briefly introduced the item. Samuel Hawgood's appointment as Acting Chancellor at UCSF would be effective upon the departure of Chancellor Desmond-Hellman, on or about March 31, 2014. He would not receive any additional compensation beyond what he currently earned as Dean – School of Medicine and Vice Chancellor – Medical Affairs.

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

5. **APPROVAL OF TOTAL COMPENSATION FOR JAGDEEP S. BACHHER AS CHIEF INVESTMENT OFFICER AND VICE PRESIDENT – INVESTMENTS, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

<u>Background to Recommendation</u>

Following an international search, Jagdeep S. Bachher was selected as the top candidate for the position of Chief Investment Officer and Vice President – Investments, Office of the President.

The Chief Investment Officer is responsible for managing over $80 billion in assets for the University's pension, endowment, short-term and Total Return investment pools.

Given the critical importance of meeting the University's pension obligations and guiding the growth of its endowment, the international search focused on senior-level leaders in the investment management arena with a high level of strategic and technical expertise and a strong reputation in the industry.

Mr. Bachher has been with Alberta Investment Management Corporation (AIMCo) since 2009, currently as its Executive Vice President, Venture and Innovation, and previously serving as Deputy Chief Investment Officer and Chief Operating Officer. AIMCo is one of Canada's largest and most diversified institutional investment fund managers, with a portfolio of approximately $70 billion. It is governed by an independent board of directors and invests for public sector pension plans, provincial endowment and government funds.

Mr. Bachher also worked at ManuLife Financial in Boston, serving as President and Chief Investment Officer of JH Investments (Delaware) LLC, and in Toronto as Assistant Vice President of MFC Global Investment Management.

Mr. Bachher has written extensively about investment strategy. Although he is taking a substantial reduction in total compensation to join the University, he looks forward to taking part in UC's mission, drawing on the significant academic resources of the University, and contributing to the University's community of scholars.

Mr. Bachher has a Ph.D. in management sciences from the University of Waterloo in Ontario, Canada, and is Chairman Emeritus of the Institutional Investors Roundtable, a group of global institutional investors representing over $2 trillion in assets under management.

Recommendation

The Committee recommended that, contingent upon Jagdeep S. Bachher's appointment by the Regents as Chief Investment Officer and Vice President – Investments and effective with his start date on or about April 1, 2014, the following items be approved in connection with that appointment:

(1) Per policy, an annual base salary of $615,000, to be funded by non-State sources.

(2) Per policy, eligible to participate in the Office of the Chief Investment Officer Annual Incentive Plan (AIP) with a target award of 100 percent of base salary ($615,000) and a maximum potential award of 165 percent of base salary ($1,014,750). Actual award will depend on performance against pre-established objectives. The awards are paid over a three-year period, with one-half paid in the first year and the remainder equally deferred over the next two years.

(3) As an exception to policy, for the 2013-14 Plan Year, eligible to receive an AIP award of up to $153,750 for his partial-year service of approximately three months, contingent upon satisfactory performance during this period. This is an

exception to policy because the AIP Plan document provides that employees must have a start date no later than January 15 to be eligible to receive an AIP award for that Plan Year.

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

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

(6) Per policy, a relocation allowance of 25 percent of base salary ($153,750), which is intended to offset additional unreimbursed expenses associated with accepting the University's offer and relocating at the request of the University. The relocation allowance will be paid in equal annual installments of $38,437.50 over four years, subject to the limitations under policy. Any unpaid relocation allowance amounts will be forfeited at the time of separation.

(7) Per policy, a hiring bonus of five percent of base salary ($30,750), to be paid in annual installments of $7,687.50 over four years, subject to the limitations under policy. Any unpaid hiring bonus amounts will be forfeited at the time of separation.

(8) Per policy, 100 percent reimbursement of actual and reasonable expenses associated with moving Mr. Bachher's household goods and personal effects from his former primary residence to his new primary residence, subject to the limitations under policy.

(9) Per policy, reimbursement for up to two house-hunting trips for Mr. Bachher and his spouse or partner to secure housing in the San Francisco Bay area, subject to the limitations under policy.

(10) Per policy, reimbursement of reasonable travel expenses for all business-related visits to the Office of the President prior to Mr. Bachher's official start date.

(11) Per policy, eligible to participate in the UC Home Loan Program, subject to all applicable program requirements.

(12) Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.

(13) Per policy, standard pension and health and welfare benefits (including senior management life insurance and executive salary continuation for disability).

COMPARATIVE ANALYSIS

Recommended Compensation
Effective Date: On or about April 1, 2014
Base Salary: $615,000
Annual Incentive Plan (AIP) award (at target rate of 100 percent of base salary): $615,000
Target Cash Compensation:* $1,230,000
Funding: non-State-funded

Budget &/or Prior Incumbent Data
Title: Chief Investment Officer and Vice President – Investments
Base Salary: $470,000
Annual Incentive Plan (AIP) award (at target rate of 100 percent of base salary): $470,000
Target Cash Compensation:* $940,000
Funding: non-State-funded

*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

COMPETITIVE ANALYSIS FOR CHIEF INVESTMENT OFFICER AND VICE PRESIDENT – INVESTMENTS

	MARKET REFERENCE ZONE FOR BASE SALARY					MARKET COMPOSITE FOR TARGET CASH COMPENSATION				
Percentiles	**25th**	**50th**	**60th**	**75th**	**90th**	**25th**	**50th**	**60th**	**75th**	**90th**
Market Data	$428K	$485K	$524K	$583K	$678K	$917K	$1,360K	$1,570K	$1,886K	$2,202K
% Difference from Market	43.7%	26.8%	17.4%	5.5%	-9.3%	34.1%	-9.6%	-21.7%	-34.8%	-44.1%

Survey Source: Mercer – Office of the Chief Investment Officer Compensation Assessment

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, 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 Napolitano**
Reviewed by: **Committee on Compensation Chair Kieffer**
Office of the President, Human Resources

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer noted that Jagdeep Bachher, as the new Chief Investment Officer (CIO) for the University, would be responsible for the management of over $80 billion in assets at a time of budgetary constraint. Mr. Bachher's proposed compensation included an annual base salary of $615,000, participation in the Office of the CIO's Annual Incentive Plan, with a first-year incentive award of $153,750, pending satisfactory performance. Mr. Bachher would also be eligible for standard senior management benefits, moving, relocation and home loan, standard health and welfare benefits, an automobile allowance, a relocation allowance paid in four annual installments of $38,437.50 to offset additional unreimbursed expenses associated with relocating at the request of the University. He would also receive a hiring bonus of $7,687.50 paid out over four years, also subject to repayment conditions.

Committee Chair Kieffer drew attention to the fact that the first-year compensation for Mr. Bachher, including all the elements described above, would be $254,000 less than the total cash compensation of the prior incumbent from 2012. The source of funding for this position is UC investment returns.

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

The meeting adjourned at 11:30 a.m.

Attest:

Secretary and Chief of Staff