

The Regents of the University of California

COMMITTEE ON COMPENSATION

July 17, 2014

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

Members present: Regents Gould, Kieffer, Lozano, Reiss, Saifuddin, and Wachter; Ex officio members Napolitano and Varner; Advisory member Gilly

In attendance: Regents De La Peña, Engelhorn, Island, Lansing, Makarechian, Ruiz, Sherman, Torlakson, and Zettel, Regents-designate Davis, Gorman, and Oved, Faculty Representative Jacob, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Interim Chief Financial Officer Brostrom, Senior Vice Presidents Dooley and Stobo, Vice Presidents Allen-Diaz, Brown, Budil, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Hawgood, Katehi, Wilcox, and Yang, Interim Chancellor Gillman, and Recording Secretary Johns

The meeting convened at 9:30 a.m. with Committee Chair Kieffer presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of March 20, 2014 were approved.

2. APPROVAL OF SALARY ADJUSTMENTS FOR SENIOR MANAGEMENT GROUP MEMBERS AS DISCUSSED IN REGENTS ONLY SESSION

Background to Recommendation

Consistent with the 2014-15 salary program for non-represented staff at all levels, the President of the University recommended approval of base salary increases for certain members of the Senior Management Group. These actions will be effective on either June 22, 2014, or July 1, 2014 depending on local payroll schedules.

Level One Senior Management Group members have not had a salary increase in seven years, since 2007. Over this period, wages within the general labor market increased by 18.7 percent. The lack of general salary increases over this multi-year period has had an impact on the University's competitive position for talent. The inconsistency associated with the lack of a regular salary program at UC has created reputational issues with regard to the University's compensation practices, making it difficult to recruit and retain people for senior leadership positions. In the last 18 months, three chancellors have left UC to accept positions for significantly higher compensation.

For what is probably the key position within the UC organization, chancellors rank in the bottom third compared to their counterparts at other Association of American Universities (AAU) institutions with regard to cash compensation. Many other AAU institutions offer other forms of cash compensation that UC does not offer, which further exacerbates the problem. Participation in this organization-wide salary increase program begins to reposition the University to be more in line with its peer institutions and with its other competitors for talent.

Recommendation

The Committee recommended that the base salary adjustments for the individuals listed below be approved.

| Last Name | First Name | Title | Current Annual Base Salary | Proposed Salary Increase % | Proposed Annual Base Salary |
|--------------------|---------------|--|----------------------------|----------------------------|-----------------------------|
| Dirks | Nicholas | Chancellor | \$486,800 | 3.00% | \$501,404 |
| Katehi-Tseregounis | Linda | Chancellor | \$400,000 | 3.00% | \$412,000 |
| Rice* | Ann Madden | Chief Executive Officer - UCD Medical Center | \$800,000 | 3.00% | \$824,000 |
| Gillman | Howard | Interim Chancellor | \$356,380 | 3.00% | \$367,071 |
| Belmont* | Terry | Chief Executive Officer – Medical Center | \$690,000 | 3.00% | \$710,700 |
| Block | Gene | Chancellor | \$416,000 | 3.00% | \$428,480 |
| Feinberg* | David | Associate Vice Chancellor, Health Sciences/CEO Hospital System | \$900,012 | 3.00% | \$927,009 |
| Leland | Dorothy | Chancellor | \$310,000 | 3.00% | \$319,300 |
| Brostrom | Nathan Eric | Interim Chief Financial Officer and Executive Vice President - Business Operations | \$400,000 | 3.00% | \$412,000 |
| Dooley | Daniel M. | Senior Vice President - External Relations | \$370,000 | 3.00% | \$381,100 |
| Dorr | Aimee | Provost and Executive Vice President - Academic Affairs | \$350,000 | 3.00% | \$360,500 |
| Robinson | Charles F. | General Counsel and Vice President - Legal Affairs | \$416,000 | 3.00% | \$428,480 |
| Stobo* | John David | Senior Vice President - Health Sciences and Services | \$580,000 | 3.00% | \$597,400 |
| Vacca | Sheryl Jeanne | Senior Vice President - Chief Compliance and Audit Officer | \$405,000 | 3.00% | \$417,150 |

| | | | | | |
|------------|------------|--|-----------|-------|-----------|
| Wilcox | Kim Arthur | Chancellor | \$354,000 | 3.00% | \$364,620 |
| Yang | Henry | Chancellor | \$315,000 | 3.00% | \$324,450 |
| Blumenthal | George | Chancellor | \$310,000 | 3.00% | \$319,300 |
| Khosla | Pradeep | Chancellor | \$411,084 | 3.00% | \$423,417 |
| Viviano* | Paul | Associate Vice Chancellor - Health Systems/Chief Executive Officer | \$720,000 | 3.00% | \$741,600 |
| Hawgood | Sam | Interim Chancellor | \$463,500 | 3.00% | \$477,405 |
| Laret* | Mark | Chief Executive Officer, Medical Center | \$935,000 | 3.00% | \$963,050 |

* These Senior Management Group members are eligible for Regentally approved incentive pay.

The compensation described above shall constitute the University's total commitment until modified by the Regents or the President, 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. He stated his view that the increases proposed for these individuals were not enough, but an appropriate adjustment under the circumstances. The increases were consistent with the three percent 2014-15 Salary Increase Program for non-represented staff and amounted to a total expenditure of slightly under \$312,000 for the 21 individuals on the list. He recalled that UC chancellors' salaries are in the bottom third compared to the University's competitor institutions in the Association of American Universities.

Regent Reiss expressed the general concern of the Regents about inequity in salaries between some chancellors who have served for long time and newer chancellors. President Napolitano would examine this issue.

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

3. **APPROVAL OF EXTENSION OF THE TERM APPOINTMENT OF AND COMPENSATION FOR BARBARA ALLEN-DIAZ AS VICE PRESIDENT – AGRICULTURE AND NATURAL RESOURCES, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The President of the University recommended approval to extend the term appointment of and compensation for Barbara Allen-Diaz as Vice President – Agriculture and Natural Resources (ANR), Office of the President, effective October 1, 2014 through December 31, 2015. Ms. Allen-Diaz has served in the term appointment since October 1, 2011, and her current term will end on September 30, 2014.

Approval was also requested for a salary adjustment of three percent, increasing Ms. Allen-Diaz's base salary from \$288,400 to \$297,052 effective July 1, 2014. The salary adjustment represents the three percent increase as part of the 2014-15 Salary Increase Program for non-represented staff.

On March 11, 2014, President Napolitano announced that UC ANR will return to reporting directly to the President of the University to underscore both the important role agriculture plays in California's economy and culture and the value the University places on its service to this industry. With the reorganization, the Vice President – ANR is classified as Level One within the Senior Management Group and therefore appointment and salary for this position must be approved by the Regents.

This position will continue to be partially State-funded.

Recommendation

The Committee recommended approval of the following items in connection with the extension of the term appointment of and compensation for Barbara Allen-Diaz as Vice President – Agriculture and Natural Resources, Office of the President:

- A. Per policy, extension of the term appointment of Barbara Allen-Diaz as Vice President – Agriculture and Natural Resources at 100 percent time effective October 1, 2014 through December 31, 2015.
- B. Per policy, a salary adjustment of three percent, increasing Ms. Allen-Diaz's annual base salary from \$288,400 to \$297,052, effective July 1, 2014. Ms. Allen-Diaz's proposed base salary reflects the increase for which she will be eligible as part of the 2014-15 Salary Increase Program for non-represented staff.
- C. Per policy, continuation of 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).

- D. Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.
- E. Per policy, continued provision of an administrative fund for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as permitted by policy.
- F. Per policy, continued accrual of sabbatical credits as a member of tenured faculty.

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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.

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

4. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR ANNE L. SHAW AS SECRETARY AND CHIEF OF STAFF TO THE REGENTS AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The Chairman of the Board of Regents recommended the appointment of and compensation for Anne L. Shaw as Secretary and Chief of Staff to The Regents effective July 1, 2014. Ms. Shaw was selected as the top candidate after a nationwide search, and a total of 63 candidates applied for this position. Ms. Shaw was selected based on her exemplary work for the Board of Regents over the past 15 years as Associate Secretary, Acting Secretary and more recently as Interim Secretary and Chief of Staff.

The Secretary and Chief of Staff to The Regents serves 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 coordinating all aspects of Board meetings, substantive research and analysis, and overseeing the planning, preparation, support, and review for all projects. In addition, the Secretary and Chief of

Staff to The Regents is the custodian of Regental and other corporate records of the University, plans and staffs all Board and Committee meetings, executes or attests to certain documents that have been executed on behalf of the Regents, provides direct administrative support to the members of the Board of Regents, and prepares minutes of the Regents meetings.

It was recommended that Ms. Shaw receive an annual base salary of \$225,000. The proposed base salary is 25.7 percent below the 50th percentile (\$303,000) of the Market Reference Zone (MRZ) for the position of Secretary and Chief of Staff to The Regents. The proposed base salary is 23.7 percent below that of the previous incumbent, whose base salary of \$295,000 was closer to the 50th percentile of the MRZ, and 2.7 percent above Ms. Shaw's current base salary of \$219,000 as Interim Secretary and Chief of Staff to The Regents.

Ms. Shaw joined the Office of the Secretary to The Regents in 1983. She was promoted to Associate Secretary to The Regents in 1996. She previously served as Acting Secretary of The Regents from June 2006 to April 2007. Ms. Shaw has been the Interim Secretary and Chief of Staff to The Regents since the departure of Marsha Kelman on March 31, 2014. Ms. Shaw holds bachelor's and master's degrees in political science from the University of Nevada and a master's degree in library information science from UC Berkeley.

Recommendation

The Committee recommended approval of the following items in connection with the appointment of and compensation for Anne L. Shaw as Secretary and Chief of Staff to The Regents:

- A. Appointment of Anne L. Shaw as Secretary and Chief of Staff to The Regents.
- B. Per policy, an annual base salary of \$225,000. Ms. Shaw's proposed base salary includes the increase for which she would be eligible as part of the 2014-15 Salary Increase Program for non-represented staff effective July 1, 2014.
- C. Per policy, annual automobile allowance of \$8,916.
- D. Per policy, a monthly contribution to the Senior Management Supplemental Benefit Program.
- E. Per policy, eligible to participate in the UC Home Loan Program, subject to all applicable program requirements.
- F. 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).

- G. 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.
- H. This appointment is at 100 percent time and will be retroactive to July 1, 2014.

The compensation described above shall constitute the University's total commitment until modified by the Regents, 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: Chairman of the Board of Regents
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 briefly introduced the item, emphasizing the value of Anne Shaw's service to the Board. He noted that the proposed compensation was less than that paid to Ms. Shaw's predecessor.

Regent Lozano praised Ms. Shaw's work on behalf of the Board and stated that she would be an excellent chief of staff.

Regent Lansing expressed the general sentiment of the Regents that they felt fortunate that Ms. Shaw had accepted the position.

Chairman Varner stated that he could not perform his functions as Chairman without the assistance of Ms. Shaw and her institutional knowledge. She is a valuable asset to the University.

Regent Saifuddin noted that former student Regents had all emphasized how helpful Ms. Shaw had been to them in their service on the Board.

Committee Chair Kieffer praised Ms. Shaw for her honesty and integrity.

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

The meeting adjourned at 9:45 a.m.

Attest:

Interim Secretary and Chief of Staff