

The Regents of the University of California

**COMMITTEE ON COMPENSATION**

September 17, 2015

The Committee on Compensation met on the above date at the Student Center, Irvine Campus.

Members present: Regents Gould, Island, Kieffer, Ortiz Oakley, Pattiz, Reiss, and Sherman; Ex officio members Lozano, Napolitano, and Varner; Advisory members Chalfant and Ramirez

In attendance: Regents Atkins, Davis, De La Peña, Gorman, Makarechian, Oved, Pérez, Ruiz, and Zettel, Regent-designate Schroeder, Faculty Representative Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Budil, Duckett, Humiston, and Sakaki, Chancellors Block, Blumenthal, Gillman, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 11:50 a.m. with Committee Chair Reiss presiding.

**1. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of July 23, 2015 were approved.

**2. APPROVAL OF INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2014-15 FOR ARTHUR GUIMARAES AS ASSOCIATE CHIEF INVESTMENT OFFICER, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The President of the University requested approval of an incentive award of \$170,625 for Arthur Guimaraes, Associate Chief Investment Officer (ACIO), under the Office of the Chief Investment Officer (CIO) Annual Incentive Plan (AIP). Mr. Guimaraes was appointed on November 17, 2014. The incentive award is prorated to reflect his time in the position during the 2014-15 Plan Year and is funded entirely through investment returns, using no State funds.

Assets under management total \$98.2 billion, and for the 2014-15 Plan Year, the CIO's Office added approximately \$1.8 billion (1.8 percent) of value in excess of the benchmark. The proposed award of \$170,625 has been reviewed and approved by the AIP Administrative Oversight Committee (AOC) established by the Regents and

consisting of Executive Vice President Brostrom, Executive Vice President Nava, and Vice President Duckett. The calculations have been reviewed by the Office of Ethics, Compliance and Audit Services.

The Office of the CIO AIP is a performance-based incentive plan that places a portion of total compensation at risk for each participant, and pays out only if certain investment and other performance standards are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation for investment professionals, including those at the California State Teachers' Retirement System, the California Public Employees' Retirement System, and other large public pension fund and endowment funds. Awards are based on a rolling three-year assessment against performance benchmarks and a portion is deferred for payout in subsequent years to help retain staff and focus efforts on adding longer-term value. Plan participants are assigned award opportunity levels that serve to motivate individual, group, and total entity performance as part of a competitive total cash compensation package.

#### Recommendation

The Committee recommended approval of an incentive award of \$170,625 for Arthur Guimaraes as Associate Chief Investment Officer under the Office of the Chief Investment Officer Annual Incentive Plan for the 2014-15 Plan Year. The recommended incentive award is 52.5 percent of his annualized base salary of \$325,000.

#### Recommended Compensation

**Effective Date:** upon Regents' approval

**Base Salary:** \$325,000 (annualized)

**AIP Award:** \$170,625 (52.5 percent of annualized base salary)

**Annual Base Salary Plus Recommended AIP Award:** \$495,625

**Funding:** non-State-funded

#### Prior Year Data (2013-14 Plan Year)

**Base Salary:** not applicable

**AIP Award:** not applicable

**Annual Base Salary Plus Recommended AIP Award:** not applicable

**Funding:** not applicable

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation 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.

[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.]

(See discussion below.)

3. **APPROVAL OF INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2014-15 FOR MELVIN STANTON AS FORMER ASSOCIATE CHIEF INVESTMENT OFFICER, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The President of the University requested approval of an incentive award of \$95,716 for Melvin Stanton under the Office of the Chief Investment Officer (CIO) Annual Incentive Plan (AIP). Mr. Stanton was the Associate Chief Investment Officer (ACIO) during a portion of the 2014-15 Plan Year. Mr. Stanton retired as ACIO on July 31, 2014, and consistent with the Plan approved by the Regents, is entitled to a prorated award at the close of the Plan Year in which he retires. This award for the 2014-15 AIP is funded entirely through investment returns, using no State funds.

Assets under management total \$98.2 billion, and for the 2014-15 Plan Year the CIO's Office added approximately \$1.8 billion (1.8 percent) of value in excess of the benchmark established by the Regents. The proposed award of \$95,716 has been reviewed and approved by the AIP Administrative Oversight Committee established by the Regents and consisting of Executive Vice President Brostrom, Executive Vice President Nava, and Vice President Duckett. The calculations have been reviewed by the Office of Ethics, Compliance and Audit Services.

The Office of the CIO AIP is a performance-based incentive plan that places a portion of total compensation at risk for each participant, and pays out only if certain investment and other performance standards are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation for investment professionals, including those at the California State Teachers' Retirement System, the California Public Employees' Retirement System, and other large public pension funds and endowment funds. Awards are based on a rolling three-year assessment against performance benchmarks and a portion is deferred for payout in subsequent years to help retain staff and focus efforts on adding longer-term value. Plan participants are assigned award opportunity levels that serve to motivate individual, group, and total entity performance as part of a competitive total cash compensation package.

Recommendation

The Committee recommended approval of an incentive award of \$95,716 for Melvin Stanton as former Associate Chief Investment Officer under the Office of the Chief Investment Officer Annual Incentive Plan for the 2014-15 Plan Year. The recommended incentive award is 29.4 percent of his annualized base salary of \$325,484.

**Recommended Compensation**

**Effective Date:** upon Regents' approval

**Base Salary:** \$325,484 (annualized)  
**AIP Award:** \$95,716 (29.4 percent of annualized base salary)  
**Annualized Base Salary Plus Recommended AIP Award:** \$421,200  
**Funding:** non-State-funded

**Prior Year Data (2013-14 Plan Year)**

**Base Salary:** \$316,004  
**AIP Award:** \$438,792 (139 percent of base salary)  
**Base Salary Plus AIP Award:** \$754,796  
**Funding Source:** non-State-funded

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[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.]

(See discussion below.)

4. **APPROVAL OF INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2014-15 FOR JAGDEEP SINGH BACHHER AS CHIEF INVESTMENT OFFICER AND VICE PRESIDENT – INVESTMENTS, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

**Background to Recommendation**

The President of the University requested approval of an incentive award of \$874,838 for Jagdeep Bachher, Chief Investment Officer (CIO) and Vice President – Investments under the Office of the CIO Annual Incentive Plan (AIP) for the 2014-15 Plan Year. This award will be funded entirely through investment returns, using no State funds.

Assets under management total \$98.2 billion, and for the 2014-15 Plan Year the CIO's Office added approximately \$1.8 billion (1.8 percent) of value in excess of the benchmark. The proposed award of \$874,838 has been approved by the AIP Administrative Oversight Committee (AOC) established by the Regents and consisting of Executive Vice President Brostrom, Executive Vice President Nava, and Vice President Duckett. The calculations have been reviewed by the Office of Ethics, Compliance and Audit Services.

The Office of the CIO AIP is a performance-based incentive plan that places a portion of total compensation at risk for each participant, and pays out only if certain investment and other performance standards are met or exceeded. Performance-based, at-risk

incentives are a typical component of total cash compensation for investment professionals, including those at the California State Teachers' Retirement System, the California Public Employees' Retirement System, and other large public pension funds and endowment funds. Awards are based on a rolling three-year assessment against performance benchmarks and a portion is deferred for payout in subsequent years to help retain staff and focus efforts on adding longer-term value. Plan participants are assigned award opportunity levels that serve to motivate individual, group, and total entity performance as part of a competitive total cash compensation package.

### Recommendation

The Committee recommended approval of an incentive award of \$874,838 for fiscal year 2014-15 under the Office of the Chief Investment Officer Annual Incentive Plan for Jagdeep Singh Bachher as Chief Investment Officer and Vice President – Investments. The recommended incentive award of \$874,838 represents 142.3 percent of Mr. Bachher's annual base salary of \$615,000.

### Recommended Compensation

**Effective Date:** upon Regents' approval

**Base Salary:** \$615,000

**AIP Award:** \$874,838

**Base Salary Plus Recommended AIP Award:** \$1,489,838

**Funding:** non-State-funded

### Prior Year Data (2013-14 Plan Year)

**Base Salary:** \$615,000 (annualized)

**AIP Award:** \$153,750 (prorated amount based on partial-year employment)

**Base Salary Plus Recommended AIP Award:** \$768,750

**Funding:** non-State-funded

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation 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.

[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 Reiss explained that the four items being considered by the Committee at this meeting were for incentive compensation, based on contractual agreements with these four individuals. None of the awards would be funded by State funds. Three of the items proposed incentive compensation for members of the Office of the Chief Investment Officer (CIO); the fourth concerned incentive compensation for Executive

Vice President Stobo. She praised the work done by CIO Bachher, including his development of sustainable investments.

Regent Pérez asked why these items were being brought to the Regents for approval, given that they were based on a contractual agreement. Committee Chair Reiss responded that the Regents have the ability to not approve this element of compensation. Vice President Duckett confirmed this, recalling that the process for this incentive compensation was approved by the Regents. The incentive plans involved in these cases, for the Office of the CIO and for UC Health, are administered by Administrative Oversight Committees.

Regent Pérez asked if it is the case that Regents' approval is required for these incentive packages, or if the Regents can reject these proposals. Mr. Duckett responded that both are true. The Regents are required to approve any compensation for certain members of the Senior Management Group; the three individuals in the Office of the CIO fall in that category.

Regent Gould suggested that the Committee vote on the three items for the Office of the CIO together. The proposed incentive compensation packages reflected the successful performance of these individuals.

Upon motion duly made and seconded, the Committee approved the President's recommendations in items 2, 3, and 4 above, and voted to present them to the Board.

5. **APPROVAL OF INCENTIVE COMPENSATION USING NON-STATE FUNDS FOR FISCAL YEAR 2014-15 FOR JOHN STOBO AS EXECUTIVE VICE PRESIDENT – UC HEALTH, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The Clinical Enterprise Management Recognition Plan (CEMRP), previously approved by the Regents and funded from clinical revenues using no State funds, is a UC Health system clinical performance-based incentive plan that places a certain amount of pay at risk for each participant, and pays out only if performance against pre-established goals such as quality of care, patient safety, and other objectives such as financial performance are met or exceeded. Performance-based, at-risk incentives are a typical component of total cash compensation at other teaching hospitals with which the University competes for talent. The UC plan drives alignment of the five UC medical centers based on the achievement of systemwide goals, organization-specific objectives, and individual participant objectives.

This proposal requested approval of an annual incentive award of \$174,000 for Dr. John Stobo as Executive Vice President – UC Health. This award for performance during fiscal year 2014-15 represents 30 percent of his base salary, and reflects achievement of all four

goals at the maximum level of attainment. Medical center operating revenues fund CEMRP awards; no State funds are used.

The 2014-15 Plan Year was productive for the University's clinical enterprise, which broke new ground in collaborative activity to respond to healthcare reform, performance improvement, and health system development under Dr. Stobo's leadership. This progress has come from the collaboration and commitment of healthcare providers, operational staff, and executive leaders throughout the five UC medical centers and their affiliated clinics.

Consistent with Regents' policy, this award has been reviewed and approved by the CEMRP Administrative Oversight Committee, comprised of the five UC chancellors of campuses with medical centers, Executive Vice President Nava, and Vice President Duckett.

#### Recommendation

The Committee recommended approval of the Clinical Enterprise Management Recognition Plan 2014-15 Plan Year award of \$174,000 for John Stobo as Executive Vice President – UC Health, Office of the President. The recommended incentive award is 30 percent of his base salary.

#### Recommended Compensation

**Effective Date:** upon approval

**Base Salary:** \$580,000 (2014-15 salary)

**Recommended CEMRP Award:** \$174,000 (30 percent of base salary)

**Base Salary Plus Recommended CEMRP Award:** \$754,000

**Funding Source:** non-State funded

#### Prior Year Data (2013-14 plan year)

**Base Salary:** \$580,000

**CEMRP Award:** \$116,000 (20 percent of base salary)

**Base Salary Plus CEMRP Award:** \$696,000

**Funding Source:** non-State funded

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Committee Chair Reiss briefly introduced the item.

Regent Gould and Committee Chair Reiss praised Executive Vice President Stobo's successful leadership of UC Health.

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 11:55 a.m.

Attest:

Secretary and Chief of Staff