Office of the Secretary

TO THE MEMBERS OF THE SPECIAL COMMITTEE ON REGENTS’ PROCEDURES:

ACTION ITEM

For the Meeting of January 18, 2006

ESTABLISHMENT OF THE SPECIAL COMMITTEE ON COMPENSATION AND SUSPENSION OF RELEVANT BYLAWS PERTAINING TO COMPENSATION MATTERS

The Chairman recommends that the Special Committee on Regents’ Procedures recommend to The Regents that:

A. A Special Committee on Compensation shall be established, effective immediately. The goals of the Special Committee shall be to:
   - Ensure that the University of California’s compensation and benefits policies, procedures, programs, and practices are fair, effective, clear, comprehensible, transparent, and accountable and inspire the trust of the University community and the public.
   - Promote and support the excellence of the University through compensation policies, programs, and practices that attract and retain the highest quality faculty and staff.

B. The charge to the Special Committee shall be to analyze, discuss, review and make recommendations to The Regents on all matters related to the University of California’s compensation and benefits policies, procedures, programs, and practices, including all matters requiring Regental action as mandated in the Senior Leadership Compensation Policy adopted by the Regents in November 2005.

C. The Special Committee shall make an annual report on senior management compensation and on outside professional activities by senior managers, forwarding this report and any resulting conclusions of the Committee.

D. The Special Committee shall conduct any studies or audits necessary to accomplish these goals.

E. The term of the Committee shall continue until action is taken by The Regents to discharge it.
F. In the period during which the Special Committee operates, portions of the following Bylaws shall be suspended insofar as they refer to compensation matters, including employment and benefits:
   • Bylaw 12.3.(l), (m), (n), (o), (p), Committee on Finance
   • Bylaw 12.7 (c), Committee on Health Services

G. In the period during which the Special Committee operates, references to the Committee on Finance shall be understood to refer to the Special Committee on Compensation in the following Standing Orders insofar as they refer to compensation matters, including employment and benefits:
   • Standing Order 100.3 (a), (b), and (c)
   • Standing Order 101.2 (a)

BACKGROUND

At the November 2005 meeting, The Regents adopted the recommendation of the Advisory Group on University Compensation to institute procedures for determining and setting compensation levels for senior leadership that are clear, comprehensive, and accountable, and to increase salaries to achieve market comparability for all groups of employees over the next ten years. The establishment of a dedicated committee is intended to address these issues on an ongoing basis.

As with Standing Committees, all members of the Board will be invited to attend the Special Committee’s sessions, many of which will be scheduled at regular meetings of the Board. The Special Committee will not have the authority to approve compensation, as this responsibility will remain the sole responsibility of the Board of Regents. The Special Committee will become a Standing Committee once Bylaw 12.8 has been adopted by The Regents.

On December 19, President Dynes sent an open letter to the University community which outlined actions the University is taking to address concerns that have been raised with respect to compensation levels for senior executives. Among these steps, the President reported that Chairman Parsky is recommending that The Regents establish a Standing Committee on Compensation. At the March 2006 meeting, notice will be served in order to amend the Bylaws to add Bylaw 12.8, Committee on Compensation. A draft charge to the new Standing Committee is shown in the attachment. This first draft will be refined by the advice of the independent Task Force on Compensation, Accountability, and Transparency and the Special Committee on Compensation, with the assistance of external consultants who will be staffing the work of the Task Force. It is intended that final action to establish the new Standing Committee be taken by The Regents at the May 2006 meeting.