REPORT OF INTERIM ACTIONS

Office of the Secretary and Chief of Staff
January 19, 2012

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

INFORMATION ITEM

Report of Actions Taken Between Meetings

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 of Regents and the President of the University approved the following recommendation:

Approval of University of California Financial Reports, 2011

That the Regents adopt the 2010-11 Annual Financial Reports for the University of California; the University of California Retirement Plan, including the PERS-VERIP; the University of California Retirement Savings Program, including the Defined Contribution, 403(b) and 457(b) Plans; and the University of California Health and Welfare Program, including the retiree health benefit trust and the five University of California Medical Centers.

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

(1) ***Contract Compensation Parameters for Head Football Coach, Intercollegiate Athletics, Los Angeles Campus***

Background to Recommendation

- Action under interim authority was requested to delegate authority to the Chancellor or his designee to negotiate and agree upon compensation, within certain parameters, for the new Head Football Coach, Los Angeles campus.

- Interim authority was requested because of the urgent need to fill this position and the typically rapid negotiation process to secure the desired candidate.

- This urgent matter was in an effort to proactively define negotiating parameters and address the fast moving negotiations that were expected to occur in the head football coaching market within the following two weeks.

- Approval of the list of possible compensation categories and maximum compensation amounts was intended to facilitate successful contract negotiations with the desired candidate. Once the contract has been signed by both parties, an informational report will be made to the Regents disclosing the final terms of the agreement on the bi-annual coaches delegation report.

- Approval of this delegation of authority for recruitment parameters will serve as approval of the final compensation of the Head Football Coach, provided that the final compensation is within the parameters outlined in this Item. It is understood that Regental authorization for this delegation of authority will expire upon the signing of the contract by both parties.

- It is anticipated that the final employment agreement will not include the maximum amount in every category of compensation listed below.

- This year UCLA Intercollegiate Athletics anticipates receiving approximately $17.6 million from television, multi-media, apparel and products. The agreements are global and not tied to specific coaches, sports, or even appearances, but the success or failure of the football program is a major part in determining the amount of revenue.

- The compensation provided under this contract shall be funded exclusively from athletic department revenues and private fundraising, and no State or general campus funds will be used.

<u>Recommendation</u>

A delegation of authority to the Chancellor, Los Angeles campus be approved to approve compensation terms for a new Head Football Coach, Los Angeles campus, that are within the contract compensation parameters set forth below, with the understanding that the final terms will be set forth in an appropriate written contract, which will be reviewed by the Office of the General Counsel.

The maximum parameters proposed for the Head Football Coach at the Los Angeles campus are as follows:

a. **<u>Contract Duration</u>**: A contract of up to seven years in duration. Additionally, authority is requested to include language, consistent with current market practice, to automatically extend duration of the contract by one year each time eight regular season wins are achieved. In recent years offering this extension element has become a trend for top performing head coaches.

b. **Base Salary and Talent Fee**: An initial annual base salary and talent fee with a combined total that will not exceed $3 million. Authority is requested to increase the combined total of base salary and talent fee each year by a maximum of five percent.
   i. The annual base salary will not exceed $300,000.
   ii. Activities associated with talent fees may include professional services in connection with various appearances and speaking engagements on television and radio broadcasts of UCLA football games and sports shows dedicated to UCLA sports, promotional endorsements, and consultation contracts with athletic shoe, athletic apparel, athletic equipment, and other sports manufacturers.

c. **Contingent Retention Bonus**: The contract may include a provision that would entitle the head coach to a specified amount as a contingent retention bonus of up to $350,000 for each contract year completed, payable no sooner than the third year completed of the contract term. The contract may contain a provision state that, in the event the head coach becomes unable to perform the services described in the contract due to illness, incapacity, or some other non-performance based reason and the contract is terminated, the head coach or his assignees will receive a pro-rata portion of the contingent retention bonus as described in the contract between the parties. If the coach is terminated for cause, he will forfeit this retention bonus. The contract may contain a provision stating that, if the coach is terminated under the “at will” provisions of the agreement, the coach will be entitled to the amount vested through the date of termination.

d. **Signing Bonus**: A one-time signing bonus not to exceed $1million. The appropriateness of a signing bonus, as well as the amount of the signing bonus, will be determined in conjunction with the agreed-upon base salary and talent fee amounts, such that the higher the base and talent fee, the lower the signing bonus. The agreement will require that the coach forfeit the entire signing bonus if the coach fails to complete the 2012 football season as head football coach.

e. **Summer Camps**: An annual maximum of up to $100,000 that may be earned for services performed in conjunction with summer camps under a revenue-sharing arrangement, the terms of which may be determined at the sole discretion of the Athletics Director.

f. **Other Incentive Pay**: An annual maximum of up to $1 million may be earned by the head coach for such accomplishments as:
   i. Pac-12 finish, final national ranking, number of regular season wins, Bowl appearances.

ii. Academic achievement including academic progress status as calculated by the National Collegiate Athletic Association.

iii. Ticket sales incentives. This element is designed to incentivize the coach to participate in sales efforts, such as public appearances, in conjunction with department sales strategies.

iv. Incentive pay for achieving the national championship, participation in national championship game, participation in Bowl Championship Series, National Coach of the Year, or participation in the Pac-12 championship game.

g. **Termination Clause**: The contract will contain a penalty clause for early termination by the coach, such that, if the coach terminates the agreement, he will owe UCLA an agreed upon sum of money. Whether the coach takes a position at a college or university that is considered to be a competing school with UCLA may be identified as a factor in determining the amount of money the coach will owe the University in such circumstances.

The University will retain the right to terminate the contract for cause, at which point all compensation and other obligations will cease, and there will be no obligation by the University to "buy out" the remainder of the contract.

The University will retain the unilateral right to terminate the employment contract without cause at any time. The agreement may include a provision stating that, in the event the University terminates the agreement without cause, it shall be obligated to pay the head coach, as a liquidated damages, up to the remaining contract amount, offset ("mitigated") by any future income earned by the coach in subsequent employment during the remaining contract period. The University shall not be liable for any University benefits which are not vested or for any collateral business opportunities or other benefits associated with the candidate's position as coach.

h. **Contractually Obligated Liquidated Damages**: The contract may include a provision stating that the University will pay any liquidated damage amounts, grossed up to account for taxes, that the coach contractually owes a former institution because of the coach's early termination of that contract. This is an additional potential cost that does not directly relate to compensation. Such provisions have become customary in contracts for coaches in comparable positions.

i. Per policy, eligibility for standard health and welfare benefits except vacation or sick leave accrual, for which coaches are not eligible.

j. Up to two courtesy vehicles to be provided by the University or, alternatively, an annual stipend of up to a $7,500 per vehicle in lieu of availability of up to two vehicles. The contract will provide that the courtesy vehicles or stipend may be withdrawn at any time at the sole discretion of the Athletics Director.

k. Country Club Membership dues support limited to term of service.

l. The contract may provide that the University will pay spouse travel for required events outside the Los Angeles area, subject to approval by the Athletics Director and in accordance with the requirements for employee travel expenses set forth in University policy.

m. As an exception to policy, eligibility for a non-standard title (football coach) to participate in the Mortgage Origination Program (MOP) and/or the Supplemental Home Loan Program (SHLP).
   i. In compliance with policy, the loan amount for any loan offered will not exceed the program maximum at the time the candidate is in escrow and the final loan commitment is made.
   ii. If a loan is offered as a Graduated Payment MOP loan (GP-MOP), approval of non-standard terms which will not result in a fixed interest rate to the candidate that is lower than three percent for the term of the loan.
   iii. Any loan offered will comply with all other normal MOP and/or SHLP program parameters and is subject to funding availability.

n. Per policy, 100 percent reimbursement for actual expenses related to moving household goods and personal effects from the former primary residence to the new primary residence, subject to the limitations under University policy.

o. Access for coach's immediate family to a suite at the Rose Bowl for all regular season games, to be used for donor relations by the coach and the Athletics Department. Appropriate taxation treatment of this issue will be executed by the campus.

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: **UCLA Chancellor Gene D. Block**
Reviewed By: **President Yudof**
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

(2) ***Administrative Stipend for Margarita Baggett as Acting Chief Operating Officer – Health System, San Diego Campus***

Background to Recommendation

- The San Diego campus requested approval of an administrative stipend of $81,900 (32.5 percent of base salary) for Margarita Baggett as Acting Chief Operating Officer at the San Diego Health System, effective October 4, 2011 through September 30, 2012, or until the appointment of a Chief Operating Officer, whichever occurs first.

- This request was the result of the retirement of the previous Chief Operating Officer effective October 4, 2011. The requested base salary plus stipend represents an annualized savings of 35.1 percent or $180,800.

- The Health System plans on conducting an extensive national search; however, due to the lengthy process and the immediate need to fill this important position, Margarita Baggett has agreed to serve until a new Chief Operating Officer is hired.

- Funding for this action would come from non-State funds.

Recommendation

The following items were approved in connection with the appointment of Margarita Baggett as Acting Chief Operating Officer – Health System, San Diego campus:

a. Per policy, continued annual base salary of $252,000.

b. Per policy, an annual administrative stipend of 32.5 percent of base salary ($81,900) while serving as Acting Chief Operating Officer, increasing Ms. Baggett's total annual salary to $333,900. Position classified as SLCG Grade 113 (Minimum $333,900, Midpoint $431,500, Maximum $529,100).

c. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of 15 percent of base salary ($37,800) and a maximum potential award of 25 percent of base salary ($63,000).

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

e. 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).

f. Per policy, this appointment is at 100 percent time.

g. As an exception to policy, this appointment is effective retroactive to October 4, 2011 and continuing through September 30, 2012, or until the appointment of a Chief Operating Officer, whichever occurs first.

Recommended Compensation
Effective Date: October 4, 2011
Annual Base Salary: $252,000
Stipend: $81,900
Total Annual Base Salary*: $333,900
CEMRP (at 15 percent target rate): $37,800
Target Cash Compensation:** $371,700
Grade Level: SLCG Grade 113
(Minimum $333,900, Midpoint $431,500, Maximum $529,100)

- **Note:** The proposed total annual base salary is 29.2 percent below the average base salary of $471,300 for the Chief Operating Officers at other UC medical centers.

Budget &/or Prior Incumbent Data
Title: Chief Operating Officer
Annual Base Salary: $514,700
CEMRP (at 15 percent target rate): $77,205
Target Total Cash Compensation: $591,905
Grade Level: SLCG Grade 113
(Minimum $333,900, Midpoint $431,500, Maximum $529,100)

COMPETITIVE ANALYSIS

	*BASE SALARY MARKET PERCENTILES					**TARGET CASH MARKET PERCENTILES				
Percentiles	25th	50th	Mean	75th	90th	25th	50th	Mean	75th	90th
Market Data	$459.0	$573.0	$563.0	$670.4	$810.3	$498.3	$714.3	$732.0	$941.0	$1,225.1
% Difference from Market	-27.3%	-41.7%	-40.7%	-50.2%	-58.8%	-25.4%	-48.0%	-49.2%	-60.5%	-69.7%

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: **UC San Diego Chancellor Fox**
Reviewed by: **President Yudof**
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

(3) ***Administrative Stipend for Thomas V. McAfee as Acting Chief Executive Officer, Health System, San Diego Campus***

Background to Recommendation

- The San Diego campus requested approval of an administrative stipend of $50,000 (9.1 percent of base salary) for Thomas V. McAfee as Acting Chief Executive Officer at the San Diego Health System, effective November 7, 2011 through October 31, 2012, or until the appointment of a Chief Executive Officer, whichever occurs first.

- This request was the result of the previous Chief Executive Officer (CEO) at the San Diego Health System announcing his resignation effective December 2, 2011. The previous CEO is moving to USC at a significantly higher salary. Dr. McAfee's salary and stipend is equivalent to that of the previous incumbent.
- Approval was sought under interim authority to enable the medical center to maintain momentum on several vital initiatives and facilitate a smooth transition of leadership.

- The Health System plans to conduct an extensive national search for a replacement but because of the immediate need to fill this important position, Thomas McAfee has agreed to serve until a new Chief Executive Officer is hired. A period of overlap is necessary to ensure a seamless transition and effective continuity of leadership.

- Funding for this action would come from non-state funds.

Recommendation

The following items were approved in connection with the administrative stipend for Thomas McAfee as acting Chief Executive Officer, Health System, San Diego campus:

a. Per policy, continued annual base salary of $550,000.

b. Per policy, an annual administrative stipend of 9.1 percent ($50,000) of base salary while serving as Acting Chief Executive Officer, increasing Dr. McAfee's total annual salary to $600,000. Position classified in SLCG Grade 117 (Minimum $522,300, Midpoint $679,000, Maximum $835,800).

c. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP), with a target award of 20 percent of base salary ($110,000) and a maximum potential award of 30 percent of base salary ($165,000).

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

e. 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).

f. Per policy, this appointment is at 100 percent time.

g. The appointment is effective November 7, 2011 and continuing through October 31, 2012, or until the appointment of a Chief Executive Officer, whichever occurs first.

Recommended Compensation
Effective Date: November 7, 2011
Annual Base Salary: $550,000
Stipend: $50,000
Total Annual Base Salary*: $600,000
CEMRP (at 20 percent target rate): $110,000
Target Cash Compensation:** $710,000
Grade Level: SLCG Grade 117
(Minimum $522,300, Midpoint $679,000, Maximum $835,800)

Prior Incumbent Data
Title: Chief Executive Officer
Annual Base Salary: $600,000
CEMRP (at 20 percent target rate): $120,000
Target Cash Compensation: $720,000
Grade Level: SLCG Grade 117
(Minimum $522,300, Midpoint $679,000, Maximum $835,800)
Target Cash Compensation – Includes base salary and incentive and stipend, as applicable.

COMPETITIVE ANALYSIS

Percentiles	*BASE SALARY MARKET PERCENTILES 25th	50th	Mean	75th	90th	**TARGET CASH MARKET PERCENTILES 25th	50th	Mean	75th	90th
Market Data	819.6	918.0	939.8	1041.0	1225.0	903.0	1186.7	1277.4	1569.2	1791.5
% Difference from Market	-26.8%	-34.6%	-36.2%	-42.4%	-51.0%	-21.4%	-40.2%	-44.4%	-54.8%	-60.4%

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

(4) ***Amendment of the Delegation of Authority to Modify the Contract Compensation Parameters for Head Football Coach, Intercollegiate Athletics, Los Angeles Campus***

Background to Recommendation

- Action under interim authority was requested to modify one element of the contract compensation parameters approved on November 23, 2011 for the Head Football Coach, Intercollegiate Athletics, Los Angeles campus. Action on this item was urgently needed as contract negotiations for this position were under way with James L. Mora.

- On November 23, 2011, the Regents delegated authority to the Chancellor or his designee to negotiate compensation, within certain parameters, for the new Head Football Coach, Intercollegiate Athletics, Los Angeles Campus. The parameters that were approved allowed the campus to act during the fast-moving negotiations at the end of the college football season.

- Under the approved contract compensation parameters, authority was granted to offer annual guaranteed compensation (annual base salary and talent fee combined) not to exceed $3 million, with annual increases of five percent.

- The campus requested approval of a modification to this parameter for the annual increase between the first and second years of the Head Football Coach's contract. Because Coach Mora will be paid by his former National Football League (NFL) team through year one of his contract with the University, the campus was able to reduce his guaranteed compensation for that year to a level that will result in significant savings to the University, while preventing him from incurring a financial penalty from his previous employer's contract. Specifically, Coach Mora is willing to accept $1,835,000 in guaranteed compensation during his first year, provided that his guaranteed compensation increases to $2,200,000 during his second year, a 19.9 percent increase. But for the savings afforded by the NFL buyout, the contract increase between the first and second year would have been within the approved parameters.

- All other terms negotiated for Coach Mora's contract compensation are within and/or below the parameters recently approved by the Regents for the UCLA Head Football Coach. In fact, several of the authorized parameters - including the approved authority to negotiate a signing bonus not to exceed $1 million and payment of contractually obligated liquidated damages - were not required.

- The source of funding for Coach Mora's contract will be exclusively from athletic department revenues and private fundraising. No State or general campus funds will be used.

- This year UCLA Intercollegiate Athletics anticipates receiving approximately $17.6 million from agreements related to television, multi-media, apparel and products. The agreements are global and not tied to specific coaches, sports, or even appearances, but the success or failure of the football program plays a major part in determining the amount of revenue the campus receives under the agreements.

<u>Recommendation</u>

The following was approved in connection with the amendment of the delegation of authority to the Chancellor, Los Angeles campus, to modify the contract compensation parameters for a new Head Football Coach, Intercollegiate Athletics, Los Angeles campus:

- Raise the ceiling on the permissible increase in guaranteed compensation between year one and year two of the contract from five percent to 19.9 percent for the Head Football Coach, Los Angeles campus. This will enable the campus to enter into a contract with Coach Mora as Head Football Coach that provides for $1,835,000 in guaranteed compensation in year one and $2,200,000 in year two.

(5) ***Extension of Term Appointment of and Total Compensation for Christopher F. Edley, Jr. as Special Advisor to the President, Office of the President***

Background to Recommendation

- Approval under interim authority was requested to extend the appointment of Christopher F. Edley, Jr. as Special Advisor to the President, Office of the President, as well as the stipend of $43,000 associated with this appointment. The stipend represents 14 percent of Mr. Edley's base salary of $307,000. The implementation date for the appointment and stipend extension was December 15, 2011, and it will end December 14, 2013, or earlier, at the discretion of the President. A stipend of more than 12 months is an exception to policy and therefore requires Regental approval.

- This stipend will be funded from State funds.

- The Special Advisor to the President provides advice to, and executes special projects on behalf of, the President and assists the President and his senior team with the development of strategy to address a variety of policy initiatives.

- Mr. Edley is uniquely qualified to serve President Yudof as Special Advisor. Mr. Edley is the Dean of the UC Berkeley School of Law and faculty Co-Director of the Warren Institute on Law and Social Policy. In addition to serving in the administration of several Presidents of the United States, Mr. Edley has served on the United States Commission on Civil Rights, the national bipartisan Commission on No Child Left Behind, and the California Bipartisan State Commission on a 21st Century Economy. He currently serves on the Equity & Excellence Commission created by the United States Department of Education to develop recommendations to increase educational opportunities by improving school funding equity.

- As Special Advisor to the President, Mr. Edley serves as a member of the President's Cabinet and leads the development, coordination and oversight of an array of priority initiatives on behalf of President Yudof, including the University's contributions to improving pre-kindergarten through Higher Education (P-16) education in California; the University's contributions to addressing the energy and climate challenges facing California, the nation, and the world; the development of student support strategies targeted to middle-income families; and the framing of strategies to enhance federal support for UC operating budgets and facilities.

- Mr. Edley served as a member of the UC Commission on the Future and currently serves as Co-Chair of the UC Online Instruction Project, which grew out of one of the Commission recommendations. He was appointed by President Yudof and Chancellor Fox to oversee the implementation of the campus climate plan at UC San Diego and serves as Co-Chair of the President's Advisory Council on Campus Climate, Culture and Inclusion, which is charged with identifying best practices at other institutions and monitoring and evaluating the progress of each campus toward ensuring equal opportunities for all UC students, faculty and staff. Most recently, the President appointed Mr. Edley and General Counsel Charles Robinson to lead a systemwide examination of police protocols and policies as they apply to protests at all 10 UC campuses and recommend best practices for policing protests across the campuses.

Recommendation

The following was approved in connection with the extension of the term appointment of and total compensation for Christopher F. Edley, Jr. as Special Advisor to the President, Office of the President:

- Continued appointment of Christopher F. Edley, Jr. as Special Advisor to the President, Office of the President.

- As an exception to policy, continued annual stipend of $43,000, increasing Mr. Edley's total annual salary from $307,000 to $350,000 in recognition of his additional work as Special Advisor to the President. The stipend will be paid by the Office of the President. This constitutes an exception to policy because the stipend is beyond the one year period allowed by policy.

- Mr. Edley's salary of $307,000 as Dean, School of Law (SLCG Grade 111) will continue to be paid by UC Berkeley. Mr. Edley's position as Dean is not affected by this term appointment.

- Per policy, standard pension and health and welfare benefits.

- Per policy, ineligible to participate in the Senior Management Supplemental Benefit Program due to tenured faculty appointment.

- Per policy, accrual of sabbatical credits as a member of tenured faculty.

- The extension of the appointment as Special Advisor to the President and the associated stipend will be effective December 15, 2011 and end December 14, 2013, or earlier, at the discretion of the President.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all other 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.

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

(6) ***Amendment to the Deferred Compensation Program for Jeff Tedford as Head Football Coach, Berkeley Campus***

Background to Recommendation

- Action under interim authority was requested to authorize the President to amend the deferred compensation program established for Jeff Tedford, Head Football Coach at UC Berkeley, to postpone the mandatory distribution date to January 31, 2013.

- The deferred compensation program is intended to allow Coach Tedford to defer taxation on a portion of his current cash compensation until his benefits are paid or made available at the times stated in the governing documents.

- In 2008, the Regents authorized the President to approve and implement a deferred compensation program for Coach Tedford. As implemented, it includes two components: a tax-qualified defined contribution plan (The University of California Supplemental Defined Contribution Plan) and a related excess benefit arrangement (The University of California Supplemental Defined Contribution 415(m) Plan). Under the program, contributions are made to the defined contribution plan up to the limit established in the U.S. Internal Revenue Code (Code), which is currently $49,000 per year. The remainder is credited to the excess benefit arrangement.

- Contributions were made under the deferred compensation program in 2009, 2010 and 2011 on behalf of Coach Tedford, who has been advised of the risks by his tax and financial counsel.

- To date, the Internal Revenue Service (IRS) has not issued substantive guidance on whether this type of excess benefit arrangement satisfies the applicable requirements of Section 415(m) of the Code. Thus, in 2009, the University requested a private letter ruling from the IRS that the contributions and allocations made on behalf of Coach Tedford under the deferred compensation program, and any earnings, would not be taxable until the year they are paid out rather than in the year contributed.

- Currently, the excess benefit arrangement incorporates a mandatory distribution date of December 31, 2011. It was added as a precaution to ensure that Coach Tedford would have access to the funds to pay tax liabilities associated with prior contributions (back taxes, fees and penalties) in the event the IRS does not rule favorably on the University's request. At the time of filing, it was expected that the IRS would issue its ruling within a year or two of the 2009 filing date, so the December 31, 2011 date seemed appropriate. Otherwise, the funds are not payable until the standard distribution dates (separation of service, death, or disability).

- Because the IRS has not yet acted on the University's request, it is now recommended to postpone the mandatory distribution date to January 31, 2013.

- Consistent with contributions made in the prior three years, the Contract Addendum will be amended effective January 1, 2012 to eliminate the provision directing payment of a $500,000 retention bonus to Coach Tedford on January 8, 2012. The Contract Addendum will be further amended to reflect that that amount, adjusted for applicable withholdings, will instead be made as a contribution to the deferred compensation program on Coach Tedford's behalf as soon as practicable after January 8, 2012.

- Coach Tedford has confirmed in an Acknowledgment dated December 20, 2011 that he has relied on counsel from his legal, tax and financial advisors in connection with the contract negotiations and with regard to the risks to him associated with the deferred compensation program as described by the University in the cover letter to the Acknowledgement and in a separate letter dated December 23, 2008. Both letters indicate Coach Tedford will be liable for any applicable taxes, interest and penalties attributable to the allocations and earnings maintained on his behalf under, and distributed from, the deferred compensation program.

- This action was requested under interim authority because the mandatory distribution date will occur before the January meeting of the Board.

<u>Recommendation</u>

That the President be authorized to amend the deferred compensation program for Jeff Tedford as Head Football Coach, Berkeley campus, to postpone the mandatory distribution date of the excess benefit arrangement to January 31, 2013. All other terms and conditions in the deferred compensation program for Mr. Tedford previously approved by the Regents remain unchanged.

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

(7) ***Delegation of Authority to Approve the Contract Compensation Parameters for Three Assistant Football Coach Positions, Intercollegiate Athletics, Los Angeles Campus***

Background to Recommendation

- Action under interim authority was requested to delegate authority to the Chancellor or his designee to negotiate and agree upon compensation, within certain parameters, for the appointment of candidates to three assistant football coach positions, Los Angeles campus.

- The parameters proposed in this item will apply only to the positions of Offensive Coordinator, Defensive Coordinator, and Strength and Conditioning Coach at UCLA. The September 2008 Amendment of Regents' Delegation of Authority for Recruiting and Negotiating Parameters for Certain Athletic Positions and Coaches, Systemwide, will continue to govern the compensation terms for all other athletic and coach positions for which the total cash compensation exceeds or will exceed the Indexed Compensation Level, with the exception of the position of Head Football Coach, Los Angeles campus, for which the Regents recently approved specific alternative compensation parameters.

- Interim authority was requested because of the urgent need to fill these three positions and the typically rapid negotiation process to secure the desired candidates.

- This urgent matter was an effort to proactively define negotiating parameters and address the fast moving negotiations that are currently occurring in the dynamic assistant football coaching marketplace.

- Approval of the maximum compensation parameters is intended to facilitate successful contract negotiations with the desired candidates. Once the contracts for these three positions have each been signed by both parties, the final terms of the agreements will be reported to the Regents in the Biannual Coaches Delegation Report.

- Approval of this recruitment authority served as approval of the final contract compensation, provided the compensation for each assistant coach is consistent with the limits and procedures outlined in these proposals. The Regental authorization for this delegation of authority will expire upon the signing of the contracts by all parties.

- It is anticipated that the final employment agreements will not include the maximum amount in every category of compensation listed below.

- This year UCLA athletics anticipates receiving approximately $17.6

million in revenue from agreements related to television, multi-media, apparel and products. The agreements related to these revenue sources are global and not tied to specific coaches, sports, or even appearances, but the success or failure of the football program is a major factor in determining the amount of revenue.

- The compensation provided under these coaches' contracts shall be funded exclusively from athletic department revenues and private fundraising. No State or general campus funds will be used.

<u>Recommendation</u>

The following was approved in connection with the approval a delegation of authority to the Chancellor, Los Angeles campus, to approve compensation terms for three Assistant Football Coach positions, Los Angeles campus, that are within the contract compensation parameters set forth below or otherwise within existing delegated authority, with the understanding that the final terms will be set forth in appropriate written contracts, which will be reviewed by the Office of the General Counsel.

The maximum parameters proposed for three Assistant Football Coach positions at the Los Angeles campus are as follows:

a. **<u>Positions</u>:** The three Assistant Football Coach positions that will be subject to these proposed parameters will be Offensive Coordinator, Defensive Coordinator, and Strength and Conditioning Coach. The Strength and Conditioning Coach is a new position.

b. **<u>Contract Duration</u>**: A contract of up to two years in duration.

c. **<u>Guaranteed Compensation</u>:** Authority is requested to hire candidates for these three positions within the compensation parameters set forth below.

This proposal provides the important flexibility necessary to negotiate the range of possible maximums relevant to the current marketplace. In all circumstances, the annual base salary for each assistant coach will not exceed $250,000.

For those receiving annual guaranteed compensation in excess of $250,000, the amount in excess of $250,000 will be designated as a Talent Fee. The payment of talent fees will be predicated on professional activities including various appearances and speaking engagements on television and radio broadcasts of UCLA football games and sports shows dedicated to UCLA sports, promotional endorsements, and consultation contracts with athletic shoe, athletic apparel, athletic equipment, and other sport manufacturers.

Year 1	Offensive Coordinator	Defensive Coordinator	Strength & Conditioning Coach
Base Salary	$250,000	$250,000	$225,000
Talent Fee	$100,000	$300,000	$0
Total Guaranteed Compensation	$350,000	$550,000	$225,000

Year 2	Offensive Coordinator	Defensive Coordinator	Strength & Conditioning Coach
Base Salary	$250,000	$250,000	$225,000
Talent Fee	$125,000	$300,000	$0
Total Guaranteed Compensation	$375,000	$550,000	$225,000

d. **Incentive Pay**: An annual maximum performance-based incentive of up to a total of $100,000 may be earned by each assistant coach for such accomplishments as:

i. Pac-12 finish, final national ranking, number of regular season wins, Bowl appearances.

ii. Academic achievement including academic progress status as calculated by the National Collegiate Athletic Association.

iii. Ticket sales incentives. This element is designed to incentivize the coach to participate in sales efforts, such as public appearances, in conjunction with department sales strategies.

iv. Incentive pay for achieving the national championship, participation in the national championship game, participation in the Bowl Championship Series, or participation in the Pac-12 championship game.

e. **Summer Camps**: An annual maximum of up to $100,000 may be earned for services performed in conjunction with summer camps under a revenue-sharing arrangement, the terms of which may be determined at the sole discretion of the Athletic Director and Head Football Coach.

f. **Termination Clause**: Each contract will contain a penalty clause for early termination by the assistant coach, such that, if the assistant coach terminates the agreement, he will owe UCLA an agreed upon sum of money. Whether the assistant coach takes a position at a college or university that is considered to be a competing school with UCLA may be identified as a factor in determining the amount of money the assistant coach will owe the University in such circumstances.

The University will retain the right to terminate the contract for cause, at which point all compensation and other obligations will cease, and there will be no obligation by the University to "buy out" the remainder of the contract.

The University will retain the unilateral right to terminate the employment contract without cause at any time. The agreement may include a provision stating that, in the event the University terminates the agreement without cause, it shall be obligated to pay the assistant coach, as liquidated damages, up to the remaining contract amount, offset ("mitigated") by any future income earned by the assistant coach in subsequent employment during the remaining contract period. The University shall not be liable for any University benefits which are not vested or for any collateral business opportunities or other benefits associated with the candidate's position as assistant coach.

g. Per policy, eligible for standard health and welfare benefits except vacation and sick leave accrual, for which coaches are not eligible.

h. A courtesy vehicle for each assistant coach to be provided by the University or, alternatively, an annual stipend of up to $7,500. This courtesy vehicle or stipend may be withdrawn at any time at the sole discretion of the Athletic Director.

i. Per policy, 100 percent reimbursement for actual expenses related to moving household goods and personal effects from the former primary residence to the new primary residence, subject to the limitations under University policy.

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