

Office of the President

TO MEMBERS OF THE GOVERNANCE AND COMPENSATION COMMITTEE:

ACTION ITEM

For Meeting of September 13, 2017

**APPROVAL OF SALARY ADJUSTMENTS FOR CHANCELLORS AND THE
DIRECTOR OF THE LAWRENCE BERKELEY NATIONAL LABORATORY AS
DISCUSSED IN CLOSED SESSION**

EXECUTIVE SUMMARY

Consistent with the Regents Policy 7701: Senior Management Group Appointment and Compensation, the President of the University recommends approval of merit-based salary adjustments for eight of the ten chancellors and the director of the Lawrence Berkeley National Laboratory. Two of the ten chancellors, from UC Berkeley and UC Davis, joined the University in July 2017 and August 2017, respectively; therefore, they are not included in the merit-increase recommendation.

This year, the President is not proposing merit-based salary increases under this program for ten SMG Level One members at the Office of the President, including herself and Officers of the Regents.

This year, consistent with past years, most of UC's chancellors continue to rank in the bottom quartile when compared to their counterparts at other Association of American Universities (AAU) institutions, with regard to base salary and total cash compensation as referenced in the attachment. The AAU's current membership consists of 62 institutions comprised of 34 public U.S. universities, 26 private U.S. universities, and two public universities located in Canada. Please note that the data for UC reflects pay from 2016-17, whereas the pay for the AAU institutions is from the most recent data available. The public institution data is from the 2015-16 fiscal year and the private institution data is from 2014. Eight UC chancellors are among the ten lowest-paid leaders within this comparison group, being at or below the tenth percentile; the UC Berkeley Chancellor's pay is just below the 25th percentile and the UC San Francisco Chancellor's pay is close to the median. Many public and private AAU institutions offer other forms of cash compensation in addition to salary, such as incentives, performance bonuses, or deferred compensation that UC does not provide.

In addition, the pay disparity is even more pronounced when comparing institutional reputation and independent rankings of the UC campuses and other AAU institutions, using rankings from

organizations such as Kiplinger or *U.S. News and World Report*. These two organizations rank higher education institutions based on academic quality, value, and other considerations.

In December 2016, Kiplinger published its list of Best College Values¹ in which 1,200 public and private four-year schools were ranked. Fifty-five percent of the ranking was based on quality of education, while 45 percent was based on cost. Of the top 100 public institutions on the list, six UC campuses ranked in the top two-thirds. Five of the campuses ranked in the top half, with UCLA and UC Berkeley ranking at #7 and #14, respectively. Four public AAU institutions that were ranked by Kiplinger in the bottom third reported total compensation for their chancellors that was as much as 50 percent higher than UC Berkeley’s Chancellor’s pay despite Berkeley’s much higher ranking; the remaining UC chancellors trailed even further behind.

In October 2016, *U.S. News and World Report* produced a ranking of over 1,000 universities from around the world. The report, “Best Global Universities,”² weighs factors that include global and regional research reputation and academic research performance, using bibliometric indicators such as publications, citations, and international collaboration. For 2017, the report emphasized excellence in academic research by factoring in the total number of highly cited papers in the top one percent of their respective fields and the percentage of a university’s total papers that are among the top one percent of most-cited papers. Under the methodology applied by *U.S. News*, globally, UC Berkeley ranked fourth, UCLA ranked tenth, UC San Diego ranked 15th, UCSF ranked 16th, UC Santa Barbara ranked 24th, UC Santa Cruz ranked 27th, UC Davis ranked 42nd, UC Irvine ranked 65th, UC Riverside ranked 113th, and Merced ranked 687th. These rankings, based on global research and academics, stand in stark contrast to how the UC chancellors are compensated compared to the leaders of lower ranked institutions, as evidenced in Attachment 1.

RECOMMENDATION

The President of the University recommends that the Governance and Compensation Committee recommend to the Regents approval of the salary adjustments for the chancellors listed below, effective July 1, 2017, and for the Laboratory Director, effective October 1, 2017. There are no exceptions to policy.

Campus	Last Name	First Name	Title	Current Annual Base Salary	Proposed Salary Increase	Proposed Annual Base Salary	Funding Source
San Francisco	Hawgood	Samuel	Chancellor	\$795,675	3.00%	\$819,545	Partially or Fully State Funded
Irvine	Gillman	Howard	Chancellor	\$499,550	3.00%	\$514,537	Partially or Fully State Funded
Los Angeles	Block	Gene	Chancellor	\$454,574	3.00%	\$468,211	Partially or Fully State Funded
San Diego	Khosla	Pradeep	Chancellor	\$449,208	3.00%	\$462,684	Partially or Fully State Funded
LBNL	Witherell	Michael	Laboratory Director	\$440,000	3.00%	\$453,200	No State Funds

¹ <http://www.kiplinger.com/tool/college/T014-S001-kiplinger-s-best-values-in-public-colleges/index.php>

² <https://www.usnews.com/education/best-global-universities/articles/methodology>

COMMITTEE

September 13, 2017

Santa Barbara	Yang	Henry	Chancellor	\$401,020	3.00%	\$413,051	Partially or Fully State Funded
Merced	Leland	Dorothy	Chancellor	\$394,655	3.00%	\$406,495	Partially or Fully State Funded
Riverside	Wilcox	Kim	Chancellor	\$394,655	3.00%	\$406,495	Partially or Fully State Funded
Santa Cruz	Blumenthal	George	Chancellor	\$394,655	3.00%	\$406,495	Partially or Fully State Funded

The base salaries described above shall constitute the University’s total commitment for base salary 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

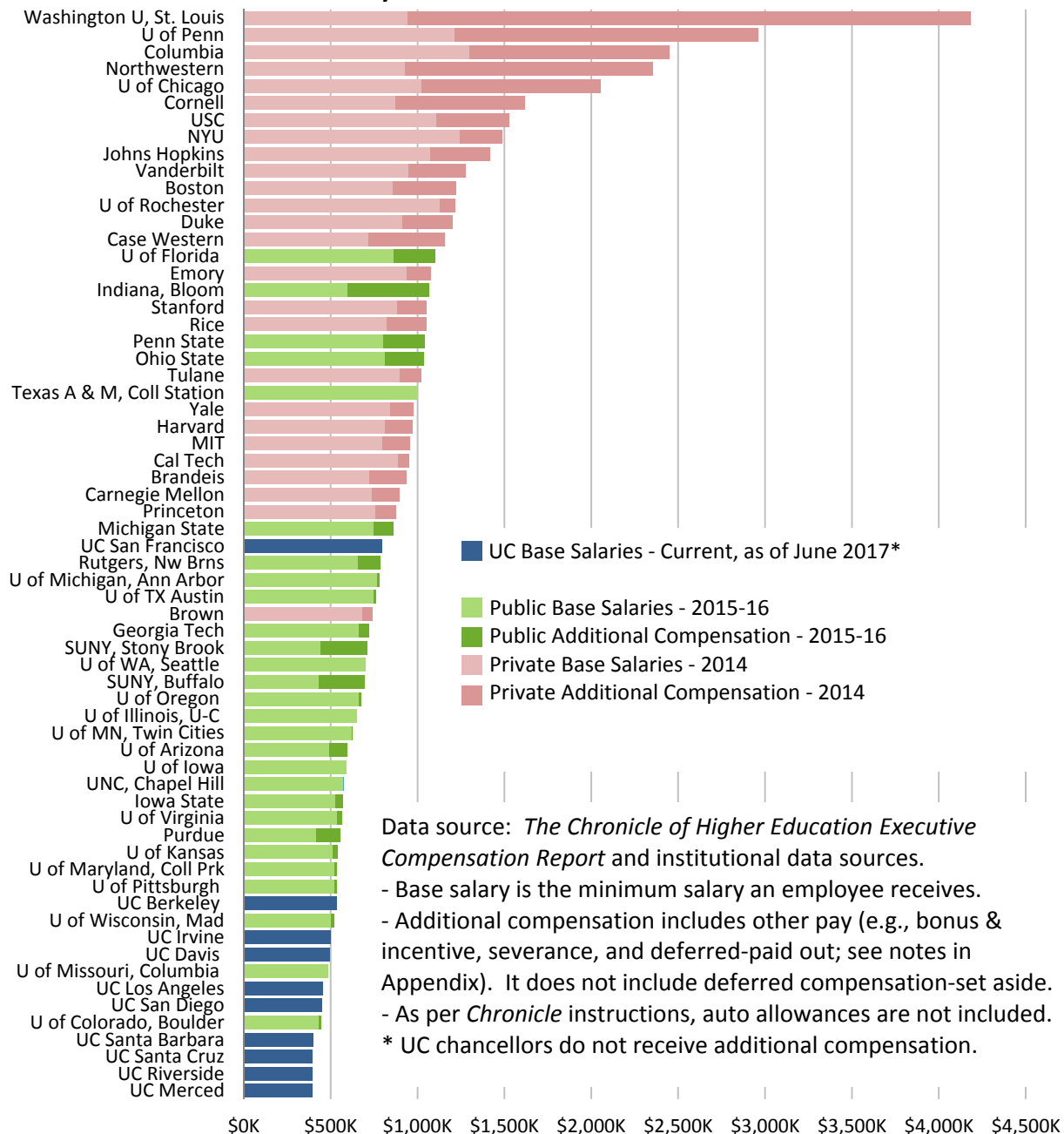
**Reviewed by: Governance and Compensation Committee Chair Reiss
Office of the President, Systemwide Human Resources**

(Attachment)

UC chancellors place among the lowest-paid when compared to their Association of American Universities (AAU) peers

With the recently published updated compensation data for public institution leaders, UC chancellors continue to place among the lowest-paid university leaders when compared with their AAU peers. Nine UC chancellor salaries fall among the lowest third in this comparison group. UC San Francisco, an exclusively graduate health science campus, is the only exception. Eight UC chancellors are among the ten lowest-paid leaders within this comparison group.

Base Salaries and Additional Pay for UC and AAU Institution Leaders



Data source: *The Chronicle of Higher Education Executive Compensation Report* and institutional data sources.

- Base salary is the minimum salary an employee receives.

- Additional compensation includes other pay (e.g., bonus & incentive, severance, and deferred-paid out; see notes in Appendix). It does not include deferred compensation-set aside.

- As per *Chronicle* instructions, auto allowances are not included.

* UC chancellors do not receive additional compensation.

APPENDIX

UC and AAU Member Public and Private Institutions - Chancellor/President Compensation

Private institutions: Calendar Year 2014

Public institutions: Fiscal Year 2015-16

UC campuses: Current salaries, as of June 2017

Salary figures in green connote new leader

Pub: FY 14-15 Priv: CY 2014			Institution Name	Base Salary	Total Comp	Base Salary		Total Compensation	
Rank Base Salary	Rank Total Comp	US News Ranking		Pub: FY 15-16 Priv: CY 2014		One Year Change	% Change	One Year Change	% Change
				10	1	19	Washington University, St. Louis ¹	\$943,583	\$4,185,866
3	2	8 (tie)	University of Pennsylvania	\$1,216,096	\$2,962,708	\$40,789	3%	-\$103,038	-3%
1	3	5 (tie)	Columbia University	\$1,298,577	\$2,447,032	\$128,377	11%	-\$2,168,198	-47%
12	4	12 (tie)	Northwestern University	\$924,658	\$2,352,578	\$40,911	5%	\$1,141,293	94%
7	5	3 (tie)	University of Chicago	\$1,021,671	\$2,051,089	\$47,209	5%	\$713,220	53%
17	6	15 (tie)	Cornell University	\$872,800	\$1,618,328	\$81,961	10%	\$711,137	78%
5	7	23	University of Southern California	\$1,108,597	\$1,525,297	\$61,034	6%	\$102,839	7%
2	8	36	New York University	\$1,242,948	\$1,484,685	\$312	0%	\$31,693	2%
6	9	10	Johns Hopkins University	\$1,074,411	\$1,417,109	\$93,086	9%	-\$212,216	-13%
9	10	15 (tie)	Vanderbilt University	\$947,489	\$1,277,924	\$43,020	5%	-\$869,528	-40%
19	11	39 (tie)	Boston University	\$856,182	\$1,218,869	\$27,321	3%	\$36,335	3%
4	12	32	University of Rochester	\$1,128,582	\$1,218,170	\$374,810	50%	\$371,280	44%
13	13	8 (tie)	Duke University	\$911,794	\$1,200,386	\$38,002	4%	\$40,531	3%
33	14	37 (tie)	Case Western Reserve University	\$718,493	\$1,154,775	\$82,825	13%	\$61,796	6%
18	15	48 (tie)	University of Florida (started January 2015)*	\$863,295	\$1,102,862	\$3,295	0%	\$167,862	18%
11	16	21	Emory University	\$937,000	\$1,075,464	\$34,135	4%	\$35,692	3%
41	17	86 (tie)	Indiana University, Bloomington	\$600,000	\$1,067,074	\$33,140	6%	\$386,742	57%
16	18	5 (tie)	Stanford University	\$884,765	\$1,051,338	\$78,802	10%	\$88,090	9%
21	19	15 (tie)	Rice University	\$820,411	\$1,048,994	\$18,236	2%	-\$18,368	-2%
24	20	50 (tie)	Penn State University, Main Campus	\$800,000	\$1,039,717	\$0	0%	\$239,717	30%
22	21	54 (tie)	Ohio State University, Main Campus	\$813,334	\$1,034,574	\$13,334	2%	\$234,574	29%
14	22	39 (tie)	Tulane University of Louisiana (started July 2014)* ²	\$898,000	\$1,021,000	\$114,000	15%	-\$613,000	-38%
8	23	74 (tie)	Texas A & M University, College Station (started May 2015) ³	\$1,000,000	\$1,000,000	\$0	0%	-\$800,000	-44%
20	24	3 (tie)	Yale University	\$845,240	\$977,219	-\$578,250	-41%	-\$566,755	-37%
23	25	2	Harvard University	\$810,884	\$969,830	\$31,601	4%	\$40,246	4%
25	26	7	Massachusetts Institute of Technology	\$796,966	\$954,887	\$59,725	8%	\$76,563	9%
15	27	12 (tie)	California Institute of Technology (started July 2014) ⁴	\$888,592	\$951,806	-\$337,604	-28%	-\$328,784	-26%
32	28	34 (tie)	Brandeis University	\$723,440	\$937,752	\$13,619	2%	-\$1,007	0%
31	29	24 (tie)	Carnegie Mellon University	\$738,063	\$897,840	\$31,535	4%	-\$455,958	-34%
28	30	1	Princeton University	\$756,692	\$875,925	-\$532,340	-41%	-\$585,337	-40%
29 (tie)	31	82 (tie)	Michigan State University	\$750,000	\$860,198	\$0	0%	\$10,198	1%
26	32		University of California, San Francisco**	\$795,675	\$795,675	\$0	0%	\$0	0%
38	33	70	Rutgers University, New Brunswick	\$655,614	\$783,046	\$8,105	1%	\$40,537	5%
27	34	27 (tie)	University of Michigan, Ann Arbor (started July 2014)	\$768,750	\$782,481	-\$3,750	0%	\$9,981	1%
29 (tie)	35	56 (tie)	The University of Texas, Austin (started June 2015)* ⁵	\$750,000	\$761,750	\$0	0%	\$11,750	2%
35	36	14	Brown University	\$682,500	\$739,681	\$0	0%	\$0	0%
36	37	34 (tie)	Georgia Institute of Technology	\$661,480	\$720,192	-\$15,500	-2%	\$43,212	6%
57	38	96 (tie)	State University of New York, Stony Brook	\$440,640	\$708,671	-\$250,000	-36%	\$18,031	3%
34	39	54 (tie)	University of Washington, Seattle (started October 2015)* ⁶	\$697,500	\$697,500	\$0	0%	\$0	0%

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Pub: FY 14-15 Priv: CY 2014			Institution Name	Base Salary	Total Comp	Base Salary		Total Compensation	
Rank Base Salary	Rank Total Comp	US News Ranking		Pub: FY 15-16 Priv: CY 2014	One Year Change	% Change	One Year Change	% Change	
58	40	99 (tie)	State University of New York, Buffalo	\$431,970	\$696,970	-\$225,730	-34%	\$39,270	6%
37	41	103 (tie)	University of Oregon (Started June 2015)*	\$660,650	\$675,662	\$650	0%	\$15,662	2%
39	42	44 (tie)	University of Illinois, Urbana-Champaign (started September 2016) ⁷	\$650,000	\$650,000	\$100,931	18%	\$100,931	18%
40	43	71(tie)	University of Minnesota, Twin Cities	\$625,250	\$625,450	\$0	0%	\$200	0%
53	44	124 (tie)	University of Arizona	\$489,647	\$594,647	\$14,647	3%	\$79,647	15%
42	45	82 (tie)	University of Iowa (started November 2015)* ⁸	\$590,000	\$590,000	\$0	0%	\$0	0%
43	46	30	University of North Carolina, Chapel Hill	\$570,000	\$573,995	\$50,000	10%	\$53,995	10%
46 (tie)	47	111 (tie)	Iowa State University	\$525,000	\$567,971	\$25,000	5%	-\$252,490	-31%
44	48	24 (tie)	University of Virginia, Main Campus	\$534,832	\$562,258	\$25,132	5%	\$52,558	10%
60	49	60 (tie)	Purdue University, Main Campus	\$420,000	\$555,829	\$0	0%	\$24,949	5%
49	50	118 (tie)	University of Kansas	\$511,341	\$538,043	\$11,301	2%	\$38,003	8%
48	51	60 (tie)	University of Maryland, College Park	\$523,724	\$537,236	-\$2,866	-1%	\$10,646	2%
46 (tie)	52	68 (tie)	University of Pittsburgh (started August 2014)*	\$525,000	\$536,520	\$0	0%	\$11,520	2%
45	53	20	University of California, Berkeley (will start July 2017) ⁹	\$531,939	\$531,939	\$0	0%	\$0	0%
50	54	44 (tie)	University of Wisconsin, Madison	\$499,950	\$517,418	\$0	0%	\$17,468	3%
51	55	39 (tie)	University of California, Irvine	\$499,550	\$499,550	\$0	0%	\$0	0%
52	56	44 (tie)	University of California, Davis (will start August 2017) ¹⁰	\$495,000	\$495,000	\$70,640	17%	\$70,640	17%
54	57	111 (tie)	University of Missouri, Columbia (will start in August 2017)* ¹¹	\$485,000	\$485,000	\$35,000	8%	\$35,000	8%
55	58	24 (tie)	University of California, Los Angeles	\$454,574	\$454,574	\$0	0%	\$0	0%
56	59	44 (tie)	University of California, San Diego	\$449,208	\$449,208	\$0	0%	\$0	0%
59	60	92 (tie)	University of Colorado, Boulder	\$431,261	\$442,795	\$0	0%	\$11,534	3%
61	61	37 (tie)	University of California, Santa Barbara	\$401,020	\$401,020	\$0	0%	\$0	0%
62 (tie)	62 (tie)	152 (tie)	University of California, Merced**	\$394,655	\$394,655	\$0	0%	\$0	0%
62 (tie)	62 (tie)	118 (tie)	University of California, Riverside**	\$394,655	\$394,655	\$0	0%	\$0	0%
62 (tie)	62 (tie)	79 (tie)	University of California, Santa Cruz**	\$394,655	\$394,655	\$0	0%	\$0	0%

APPENDIX

Data source: *The Chronicle of Higher Education Executive Compensation Report*

-Public institution information (fiscal year 2015-16) was collected by exclusive survey conducted by The Chronicle and published 6/28/2017.

-Private institution information (calendar year 2014) was obtained from IRS form 990 and published 12/4/2016. Base salary is separate from bonus & incentive and other compensation. Base salary may include sick pay paid by the employer, employer contributions to a 401(k) or 403(b) plan.

-Total Compensation may include the following:

-Bonus pay: Incentive pay and signing bonuses

-Nontaxable benefits: Health and medical benefits, life insurance, housing provided by the employer, personal legal and financial services, dependent care, etc.

-Other pay: Miscellaneous pay and benefits, including severance payments, tax gross-ups (money an employer provides an employee for taxes paid on benefits), vacation leave cashed out, debt forgiveness, fellowships, employer-provided vehicles and parking, housing payments, travel, meals, moving expenses, entertainment, spending accounts, and club dues. Vested deferred compensation, meaning money set aside in previous years that was paid out to the employee in the current year, can also be included in other pay. May also include interest accrued on deferred compensation.

-Deferred compensation set aside is not included within the total compensation figure.

-UC salaries include the most recent increases approved by the UC Regents in July 2016

(<http://regents.universityofcalifornia.edu/aar/july16.pdf>)

'-UC total compensation does not include auto allowance

*Where necessary, reported partial-year compensation was annualized and determined through research and/or communication with institutional representatives.

**UC Merced, UC Riverside, UC San Francisco, and UC Santa Cruz are not members of AAU.

¹ The new president at Washington University in St. Louis has an over 300% one-year increase in total compensation due to over \$3M in Other pay (see description of Other pay, above).

² The new president at Tulane University started in July 2014. The reported partial-year base salary was annualized for this report. The one-year decrease in total compensation is due to the large total compensation for the previous president in his last year.

³ The president at Texas A&M started in May 2015 with \$1,000,000 in base salary and \$800,000 as a signing bonus (http://www.theeagle.com/news/a_m/million-annual-salary-set-for-texas-a-m-s-new/article_f9f27f62-c6b6-11e4-8f64-9363fcf1b6a0.html).

⁴ The new president at California Institute of Technology started July 2014. The reported partial-year base salary was annualized for this report.

⁵ The president at the University of Texas at Austin, started June 2015 and turned down \$1M base salary.

⁶ The new president at the University of Washington, Seattle started October 2015 with base salary of \$697,500. She served as Interim President since March 2015. (<http://www.seattletimes.com/seattle-news/education/uws-new-president-will-earn-910000-a-year/>)

⁷ The new president at the University of Illinois, Urbana-Champaign started September 2016 with \$6500,000 base salary.

⁸ The new president at the University of Iowa, started November 2015 with \$590,000 base salary (<http://now.uiowa.edu/2015/09/president-harrelld>).

⁹ The new chancellor at the University of California, Berkeley will start July 2017 with \$531,939 base salary

¹⁰ The new chancellor at the University of California, Davis will start August 2017 with \$495,000 base salary

¹¹ The new chancellor at the University of Missouri, Columbia will start August 2017 with \$485,000 base salary