

The Regents of the University of California

SPECIAL COMMITTEE ON REGENTS' PROCEDURES

May 17-18, 2006

The Special Committee on Regents' Procedures met on the above dates at UCSF–Laurel Heights, San Francisco.

Members present: Regents Dynes, Hopkinson, Kozberg, Marcus, Parsky, and Preuss; Advisory member Oakley

In attendance: Regents Blum, Bustamante, Gould, Island, Juline, Lozano, Moores, Pattiz, Rominger, Rosenthal, and Schilling, Regents-designate Coombs, Ledesma, and Schreiner, Faculty Representative Brown, Secretary Trivette, General Counsel Holst, Interim Treasurer Berggren, Acting Provost Hume, Senior Vice President Darling, Vice Presidents Broome and Doby, and Recording Secretary Bryan

The meeting convened at 12:40 p.m. with Committee Chair Marcus presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETINGS

Upon motion duly made and seconded, the minutes of the meetings of January 18 and March 15, 2006 were approved.

2. AMENDMENT OF BYLAWS 12, 20, AND 21 AND STANDING ORDER 100.4 IN ORDER TO ESTABLISH REGENTS OFFICE OF COMPLIANCE

With the concurrence of the President, the Chairman of The Board recommended that:

- A. Service of notice be waived.
- B. Effective immediately upon approval, the Bylaws and Standing Orders be amended as shown below to add the position Chief Compliance Officer to the Officers of the Corporation:

Additions shown by underscore

BYLAW 12.

RESPONSIBILITIES OF STANDING COMMITTEES

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12.3 Committee on Finance.

The Committee on Finance shall:

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(m) Recommend to the Board:

- (1) All compensation of the following Officers of the Corporation and Officers of the University: Principal Officers of The Regents and their chief deputies, Chief Compliance Officer, President of the University, Provost and Senior Vice President, Senior Vice Presidents, other Vice Presidents, University Auditor, Chancellors, and Laboratory Directors;

BYLAW 20.

OFFICERS OF THE CORPORATION

20.1 Designation and Qualifications.

The Officers of the Corporation shall be President, Chairman, Vice Chairman, Secretary, Treasurer and Vice President for Investments (who also serves as an Officer of the University), General Counsel and Vice President for Legal Affairs (who also serves as an Officer of the University), Chief Compliance Officer, and such associates and assistants of the foregoing Officers as the Board from time to time shall appoint. The President, Chairman, and Vice Chairman shall be members of the Board, but membership on the Board shall not be a necessary qualification for other Officers. Any Officer, other than the President, Chairman, and Vice Chairman, may hold as many offices as the Board shall determine.

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BYLAW 21.

DUTIES AND RESPONSIBILITIES OF OFFICERS OF THE CORPORATION

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21.5 Chief Compliance Officer

The Chief Compliance Officer shall develop and maintain the University's Corporate Compliance Program, functioning as an independent and objective office that reviews and evaluates compliance issues and concerns within the University. This position will monitor and report as to the Board itself, the administration, faculty, and employees on compliance with rules and regulations of regulatory agencies, University policies and procedures, and the University's Statement of Ethical Values and Standards of Ethical Conduct. This position is authorized to implement all

necessary actions to ensure achievement of the objectives of an effective, accountable compliance program.

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STANDING ORDER 100.4.

OFFICERS OF THE UNIVERSITY

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100.4 Duties of the President of the University

- (a) The President shall be the executive head of the University and shall have full authority and responsibility over the administration of all affairs and operations of the University, excluding only those activities which are the responsibility of the Secretary, Treasurer, ~~and~~ General Counsel of The Regents, and Chief Compliance Officer. The President may delegate any of the duties of the office except service as an ex officio Regent.

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It was recalled that the several recent reviews of the University's compensation practices have pointed to the need for a unit at the University dedicated to assuring compliance with Regental policies and other University policies, across all operations. In order to provide for the appropriate level of oversight and authority, as determined by The Regents, the Chairman and the President recommend establishment of an Office of Compliance that reports directly to the Board of Regents. This office shall be headed by the Chief Compliance Officer who shall be an officer of the corporation (The Regents of the University of California) and shall have sufficient staff and resources to carry out this compliance function and reporting. In proposing this additional, dedicated function, Chairman Parsky proposes that the appropriate Bylaw and Standing Order amendments be adopted immediately. To do so requires that the normal service of notice be waived. The position of Chief Compliance Officer is a relatively new phenomenon, often considered a best practice for major corporations, especially those that are publicly traded, consistent with Sarbanes-Oxley legislation. It is also more and more frequently seen as an essential position for research universities due to the complexities of federal and State rules and regulations as well as contractual requirements governing the research enterprise. Princeton, CalTech, and the University of Southern California are examples of respected research universities that recently established this position.

See

<http://www.princeton.edu/pr/pwb/04/1018/2a.shtml>

<http://asic.caltech.edu/compofficer.htm>

<http://www.usc.edu/admin/compliance/whatsnew.html>

The University of Texas has had a position and program in place for some time, as have several other research institutions.

The Office of Compliance at the University of California will need to be able to exercise a coordinating role with the large number of existing compliance functions that are already in place: Office of the General Counsel, Audit, Risk Management, Controllers, Human Resources (and the HR training function), Research Compliance, Environmental Health and Safety, Academic Council, Privilege and Tenure Committees, and Hospital compliance, to name a few. Coordination among these and other areas will assure appropriate development and maintenance of training programs, risk assessment, management controls, and disclosure as well as appropriate Board oversight.

Among its other duties, as recommended by the Task Force on UC Compensation, Accountability, and Transparency, The Regents' Office of Compliance shall

- ensure that compensation decisions are audited regularly to ensure that they are being made and approved at the appropriate levels (Governance and Accountability recommendation 2)
- be informed of all exceptions to compensation policies (Governance and Accountability recommendation 3)

Further, the Office of Compliance would be expected to establish mechanisms to ensure that Regents' policies and principles survive leadership changes in both management and on the Board of Regents. The office would also be expected to oversee revisions to the University's Statement of Ethical Values and Standards of Ethical Conduct as necessary, and to establish relationships with Chief Compliance Officers in industry and in higher education in order to keep the University in the forefront of best practices. The precise duties and responsibilities for the office will develop over time as standards in this new field as well as the University's and the Board's needs for compliance oversight evolve. Compensation for this Officer will be considered and approved by The Regents through the Committee on Compensation and in accord with all pertinent policies and guidelines for Officers of The Regents. The proposed amendment to Bylaw 12.3 – Committee on Finance is to implement this position, pending the amendment of Bylaws in July to establish the Committee on Compensation as a Standing Committee.

Chairman Parsky noted that a budget for the Compliance Office would be presented at the July meeting.

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

The Committee recessed at 12:40 p.m.

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The Committee reconvened at 1:25 p.m. on May 18, 2006, with Committee Chair Marcus presiding.

Members present: Regents Dynes, Hopkinson, Kozberg, Marcus, Parsky, and Preuss; Advisory member Oakley

In attendance: Regents Gould, Island, Juline, Moores, Pattiz, Rominger, Rosenthal, Ruiz, Schilling, and Wachter, Regents-designate Coombs, Ledesma, and Schreiner, Faculty Representative Brown, Secretary Trivette, General Counsel Holst, Interim Treasurer Berggren, Acting Provost Hume, Senior Vice President Darling, Vice Presidents Broome, Foley, Gomes, and Hershman, Chancellors Carnesale, Córdoba, Fox, Tomlinson-Keasey, Vanderhoef, and Yang, University Auditor Reed, and Recording Secretary Bryan

3. **AMENDMENT OF BYLAW 20: DESIGNATION OF ASSOCIATES AND ASSISTANTS OF THE PRINCIPAL OFFICERS OF THE REGENTS, INCLUDING UNIVERSITY COUNSEL, AS CORPORATE OFFICERS**

The President recommended that:

- A. Service of notice be waived.
- B. Bylaw 20 be amended as follows:

Deletions shown by strike out, additions by underscore

BYLAW 20

OFFICERS OF THE CORPORATION

20.1 Designation and Qualifications.

The Officers of the Corporation shall be President of the Board (who shall be the Governor of the State); Chairman; Vice Chairman; the following who shall collectively be known as the Principal Officers of The Regents: Secretary, Treasurer and Vice President for Investments (who also serves as an Officer of the University), General Counsel and Vice President for Legal Affairs (who also serves as an Officer of the University); and such associates and assistants of the foregoing Principal Officers as the Board from time to time shall appoint they may from time to time designate in their respective areas of responsibility as Officers of the Corporation. The President, Chairman, and Vice Chairman shall be members of the Board, but membership on the Board shall not be a necessary qualification for other Officers.

Any Officer, other than the President, Chairman, and Vice Chairman, may hold as many offices as the Board shall determine.

20.2 Election.

The Board shall elect ~~at~~ the Chairman, Vice Chairman, and Principal Officers except the President, who shall be the Governor of the State. The Chairman and Vice Chairman shall be elected at the May meeting of the Board and shall hold office for one year commencing on July 1 and until their successors are elected. In event of an interim vacancy in the office of Chairman, the Vice Chairman shall hold office until a successor is elected. The Chairman of the Board shall not be elected for more than two consecutive years plus an immediately preceding unexpired term, if any. The Vice Chairman of the Board shall not be elected for more than one term plus an immediately preceding unexpired term, if any. All other Officers shall be elected at such times as vacancies may occur and shall hold office at the pleasure of the Board. The election and removal of ~~at~~ the Chairman, Vice Chairman, and Principal Officers of the Corporation shall be by the affirmative vote of a majority of the members of the Board, except that the election of a Chairman Pro Tempore shall be by the vote of a majority of the members of the Board present and voting at any regular or special meeting of the Board at which such election takes place.

The Committee was informed that the proposed Bylaw text is to confirm the corporate officer status of "associates and assistants" of the Principal Officers of The Regents and to establish clearly the process for such designation going forward. Historically such status has resulted from appointment action by The Regents and the operation of Bylaw 20.1. Recently, appointment of "associates and assistants" of the Principal Officers, except for their principal deputies, whose appointments are submitted to The Regents, have been handled by the respective Principal Officers, subject to budgetary coordination with the Office of the President. Corporate officer status is particularly important in various circumstances, including, for example, those where attorneys in the General Counsel's office are appearing in and submitting documents to court and agency proceedings. "Associate and assistant" officers in the Offices of the Secretary and Treasurer pursuant to this provision are the Associate Secretary and the Assistant Treasurer. The "associates and assistants" of the General Counsel include the Deputy General Counsel, University Counsel in the Office of the General Counsel in Oakland, and resident counsel at campuses and medical centers.

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

4. **EVALUATION OF REGENTS' STANDING COMMITTEES - ORGANIZATION AND RESPONSIBILITIES**

Committee Chair Marcus recommended that a working group be established to evaluate the organization and responsibilities of the Standing Committees. The working group will make recommendations to The Regents for amendments to the Bylaws and Standing Orders based on its study.

It was recalled that at the March meeting, the Special Committee discussed the structure of the Regents Standing Committees, noting that although there have been amendments to Committees' charges, a Standing Committee has not been established or disestablished since 1982. It was suggested at that meeting that a study group be convened to do a comprehensive review of the charges of the current Standing Committees. The review would include determining whether any duties and responsibilities of the Committees overlap, should be assigned to another existing or new committee, or should be delegated to the President. The group will consider any restructuring of the organization of the University administration that is anticipated. This approach would result in a coordinated process for amending Bylaw 12, assuring that all Standing Committees are relevant to the operation and mission of The Regents and the University.

Members of the working group would include Regents and representatives from the Office of the President and from the Officers of The Regents.

Issues for the working group to consider include:

- (1) Review the Regents Bylaws and Standing Orders to determine the functionality and effectiveness of current Standing Committees, considering issues such as quorum, terms of committee members and chairs, and maximum membership on committees.
- (2) Develop an Objectives Statement as to Regents' committee service and participation, including the number of committees on which each Regent serves and specialized expertise requirements for specific committees.
- (3) Review of the charges of the current Standing Committees to determine whether duties and responsibilities of the Committees overlap, should be assigned to another existing or new committee, or should be delegated to the President, and to consider if Committees should be consolidated, reconfigured, or if new Committees should be established.

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

5. COSTS OF LOCATING REGENTS MEETINGS ON CAMPUSES

It was recalled that Committee Chair Marcus had proposed that two of the six two-day business meetings of The Regents be held on campuses each year. This would be in addition to two meetings held at the San Francisco campus and two at the Los Angeles campus. In past discussions a concern has been the costs, both in terms of meeting costs, such as facilities rental, food, and security, and un-billed staff time which is campus staff time required for planning and preparing for the meetings.

Cost comparisons between holding meetings at UC San Francisco and at UCLA were performed in 1993, 2001, and 2002. Average meeting costs for two-day Regents meetings at these locations are summarized in the table below. The primary reason for the cost difference was then attributed to the cost of systemwide staff travel to meetings in Los Angeles.

**Average Costs of Regents Meetings 1993-2002
UCSF-Laurel Heights v. UCLA**

	Laurel Heights	UCLA
1993	\$35,000	\$45,420
2001	\$57,405	\$72,508
2002	\$58,500	\$80,207

Last year, the Regents began meeting at other campuses in addition to the Laurel Heights and UCLA locations. The average costs of meeting at Laurel Heights and UCLA since 2004, plus the costs of meeting at UC Berkeley in November 2005 and at UC San Diego in January 2006 are summarized in the table below. This table includes a column with the estimated number of campus staff hours devoted to planning and preparing for the meeting. Campus staff planning time at Laurel Heights and Berkeley is much less than at the southern locations largely due to the fact that staff in the Office of the Secretary of The Regents handle many of the logistics and other details for the locations in the Bay Area. The table below does not account for the approximately \$25,000 estimated travel costs for systemwide staff to attend meetings at southern California locations.

Historically, the cost for campus staff travel to Regents meetings was virtually equal regardless of whether a meeting was held in northern or southern California.

**Cost of Regents Meetings 2004-05
UCSF-Laurel Heights, UCLA and Other Campuses**

Meeting Location	Costs per Meeting	Unbilled campus staff time per meeting
Laurel Heights *	\$69,089	fewer than 5 hours
UCLA **	\$80,518	324 hours
UC Berkeley (11/05)	\$53,569	90 hours
UC San Diego (1/06)	\$86,287	720 hours

*based on average of 6 meetings in 2004-05

**based on average of 2 meetings in 2004-05

The meeting adjourned at 1:30 p.m.

Attest:

Secretary