The Regents of the University of California

COMMITTEE ON COMPENSATION
May 16, 2007

The Committee on Compensation met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents Blum, Coombs, Dynes, Hopkinson, Lozano, Parsky, Pattiz, Schilling, Varner, and Wachter; Advisory members Brewer and Oakley

In attendance: Regents Garamendi, Island, Johnson, Kozberg, Ledesma, Marcus, and Schreiner, Regents-designate Allen and Bugay, Faculty Representative Brown, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, Chief Investment Officer Berggren, Provost Hume, Executive Vice Presidents Darling and Lapp, Vice President Sakaki, Chancellors Birgeneau, Bishop, Córdova, Drake, Fox, Kang, and Vanderhoef, Acting Chancellors Abrams and Blumenthal, and Recording Secretary Bryan

The meeting convened at 1:55 p.m. with Committee Chair Hopkinson presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of March 15, 2007 were approved.

2. **REPORT FROM CLOSED SESSION FOR APPROVAL OF INDIVIDUAL SALARY ITEMS**

The Committee forwarded for approval the following from its May 15 Closed Session meeting.

Individual Salary Items

A. ***Appointment Salary for Andrew Szeri as Dean–Graduate Division, Berkeley Campus***

Approval of the following items in connection with the appointment salary for Andrew J. Szeri as Dean–Graduate Division, Berkeley campus:

(1) An appointment salary of $172,600. This represents a 23.9 percent increase over Mr. Szeri's adjusted faculty salary of $139,278 and a 19.8 percent increase over his total annual compensation of $144,078 (Salary Grade 107: Minimum $167,600, Midpoint $212,700, Maximum $257,800).

(2) This appointment is 100 percent time and is effective July 1, 2007.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, Executive Salary Continuation for Disability.

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

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

B. ***Appointment Salary for Sheldon Zedeck as Vice Provost–Academic Affairs and Faculty Welfare, Berkeley Campus***

Approval of the following items in connection with the appointment salary for Sheldon Zedeck as Vice Provost Academic Affairs and Faculty Welfare, Berkeley campus:

(1) An appointment salary of $207,600. This represents a 32.2 percent increase in Mr. Zedeck's adjusted academic salary of $157,040 (Salary Grade 108: Minimum $187,100, Midpoint $238,200, Maximum $289,300).

(2) This appointment is 100 percent time and effective July 1, 2007.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, Executive Salary Continuation for Disability.

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

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

C. ***Stipend for J. Keith Gilless as Acting Dean–College of Natural Resources, Berkeley Campus***

Approval of the following items in connection with the appointment of J. Keith Gilless as Acting Dean–College of Natural Resources, Berkeley campus:

(1) As an exception to policy, an administrative stipend of $40,000 (40.4 percent over his annual base salary of $99,000 and 22.6 percent over his current total annual compensation of $113,400) to increase his total annual compensation to $139,000 (Salary Grade 107: Minimum $167,600, Midpoint $212,700, Maximum $257,800).

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the $40,000 stipend will continue and will not be recalculated.

(3) This appointment is at 100 percent time and is effective July 1, 2007 through June 30, 2008 or until the appointment of a permanent Dean–College of Natural Resources, whichever occurs first.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.

- Per policy, eligible for sabbatical credits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

D. ***Stipend Extension for Wendell C. Brase, Vice Chancellor–Administrative and Business Services, Irvine Campus***

Approval of the following items in connection with the additional responsibilities assigned to Wendell C. Brase, Vice Chancellor–Administrative and Business Services for his role as Project Manager in the oversight of the Medical Center's $372 million seismic replacement hospital project, Irvine campus:

(1) An extension of his current administrative stipend of $20,000 (9.3 percent) to increase his base salary of $216,000, for an annual salary of $236,000 (Salary Grade 108: Minimum $187,000, Midpoint $238,200, Maximum $289,300).

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the stipend will remain at the dollar value of $20,000.

(3) As an exception to policy, effective February 1, 2007 through January 31, 2009, the anticipated conclusion of the project. Since the original effective date of this stipend was February 1, 2005, the total duration is four years.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, Executive Salary Continuation for Disability.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

E. ***Stipend Extension for Rebekah Gladson, Associate Vice Chancellor and Campus Architect, Irvine Campus***

Approval of the following items in connection with the additional responsibilities assigned to Rebekah Gladson, Associate Vice Chancellor and Campus Architect, for her role as Project Architect and Construction Coordinator for the Medical Center's $372 million seismic replacement hospital project, Irvine campus:

(1) An extension of her current administrative stipend of $16,800 (9.3 percent) to increase her base salary of $179,883, for an annual salary of $196,683 (Salary Grade 105: Minimum $134,400, Midpoint $169,600, Maximum $204,700).

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the stipend will remain at the dollar value of $16,800.

(3) As an exception to policy, effective February 1, 2007 through January 31, 2009, the anticipated conclusion of the project. Since the original effective date of this stipend was February 1, 2005, the total duration is four years.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

F. ***Stipend Extension for James R. Herron as Corporate Compliance and Privacy Officer and Acting Associate Dean–Administration, Irvine Campus***

Approval of the following items in connection with the additional responsibilities assigned to James R. Herron as Corporate Compliance and Privacy Officer and Acting Associate Dean–Administration for his role as Acting Associate Dean–Administration for the School of Medicine, Irvine campus:

(1) As an exception to policy, extension of an administrative stipend of $44,800 (22 percent) in addition to his base salary of $203,500 for an annual salary of $248,300 (Salary Grade 107: Minimum $167,600, Midpoint $212,700, Maximum $257,800).

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the stipend will remain at the dollar value of $44,800.

(3) As an exception to policy effective July 1, 2007 and continuing through June 30, 2008, taking the overall period of time (December 1, 2004 through June 30, 2008) beyond one year as allowed in policy.

(4) Clinical Enterprise Management Recognition Plan up to 20 percent.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Mr. Herron currently has, per policy, a Mortgage Origination Program Loan of $300,000.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

G. ***Stipend for Donald A. Cooksey as Acting Dean–College of Natural and Agricultural Sciences, Riverside Campus***

Approval of the following items in connection with the appointment of Donald A. Cooksey as Acting Dean–College of Natural and Agricultural Sciences, Riverside campus:

(1) As an exception to policy, an administrative stipend of 41 percent ($42,230), to increase his annual (12 month) professorial base salary of $103,000 to $145,230. This stipend represents an increase of 22 percent over Mr. Cooksey's previous total annual compensation.

(2) If an adjustment to the annual academic base salary is made prior to the termination of this acting role, the 41 percent stipend will be recalculated against the new annualized academic base salary.

(3) This appointment is at 100 percent time and is retroactive to March 12, 2007 and effective through March 11, 2008, or until the appointment of a permanent Dean–College of Natural and Agricultural Sciences, whichever occurs first.

(4) Mr. Cooksey currently receives a stipend of 15.5 percent as Executive Associate Dean. This will be discontinued, effective March 11, 2007, upon approval of the proposed stipend.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.
- Per policy, eligible for sabbatical credits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

H. ***Stipend for Anita Gursahani as Acting Department Head, Plant Engineering, Laboratory Services Directorate, Lawrence Livermore National Laboratory***

Approval of the following items in connection with the compensation of Anita Gursahani as Acting Department Head, Plant Engineering, Laboratory Services Directorate, at the Lawrence Livermore National Laboratory:

(1) Per policy, an administrative stipend of 5.7 percent ($12,000), to increase her base salary of $210,300, to a total annual salary of $222,300.

(2) If an adjustment to the base salary is made prior to the termination of this acting role, the 5.7 percent stipend will be recalculated against the new base salary.

(3) Retroactive to March 1, 2007 through September 30, 2007, or through contract transition, whichever occurs first.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

I. ***Compensation for Teri McKeever as Head Women's Swimming Coach, Berkeley Campus***

Approval of the following revised compensation terms for Head Women's Swimming Coach, Teri McKeever, Berkeley campus, 100 percent time. Ms. McKeever's revised contract will be effective May 1, 2006 and terminate on June 30, 2011, unless terminated earlier pursuant to the term of the Employment Contract or unless the parties agree in writing to the terms of a successor contract or a contract extension prior to that date.

It was deemed necessary to enter into negotiations with Ms. McKeever, concerning an enhancement and extension of her current contract, when she was recruited by the University of Southern California in spring 2006.

The following terms and conditions are reflected in the new proposed contract:

(1) Base Salary: This contract increases her annual base salary from $83,000 to:

05/01/06 - 06/30/07	$115,400	39 percent increase
07/01/07 - 06/30/08	$121,170	5 percent increase
07/01/08 - 06/30/09	$127,228	5 percent increase
07/01/09 - 06/30/10	$133,589	5 percent increase
07/01/10 - 06/30/11	$140,268	5 percent increase

(2) Talent Fee: This contract establishes an annual talent fee of $15,000.

05/01/06 - 06/30/07	$15,000	first year
07/01/07 - 06/30/08	$15,000	no increase
07/01/08 - 06/30/09	$15,000	no increase
07/01/09 - 06/30/10	$15,000	no increase
07/01/10 - 06/30/11	$15,000	no increase

(3) Additionally, this contract provides opportunity to earn supplemental compensation of up to $223,300 per annum, as described below.

In the event that Ms. McKeever or the team, during the term of this Employment Contract, accomplishes the following, Ms. McKeever shall receive supplemental compensation during the contract year in which the accomplishment occurs as follows:

A. Pac-10 and NCAA Accomplishments

Ms. McKeever is eligible to receive more than one bonus.

Achievement of Coach or Cal Women's Swimming Team	Bonus Amount
Coach wins the NCAA or Coaches Association Coach of the Year	$ 1,000
Coach wins the Pac-10 Coach of the Year Honor	$ 1,000
Coach is named to the Olympic Coaching Staff	$ 2,500
Team finishes in the top 3 in the Pac-10 Championship	$ 1,000
Team wins the Pac-10 Championship	$ 2,000
Team finishes in the top 10 in the NCAA Team Championship	$ 5,000
Team finishes in the top 4 in the NCAA Team Championship	$10,000
Team wins the NCAA National Championship	$15,000
For each individual or relay team that wins an NCAA individual title	$ 2,000
For each individual American or World Record Broken	$ 2,000

B. Coach Stipend

For calendar years 2006, 2007, and 2008, only, the following stipend will be increased by $2,500 per year, if Team places in the top two at the Women's NCAA Division I Swimming and Diving National Championships.

Calendar Year	Base Stipend
2006	$40,000 (possible $42,500)
2007	$40,000 (possible $42,500 or $45,000)
2008	$40,000 (possible $42,500, $45,000, or $47,500)
2009	$40,000
2010	$40,000
2011	$40,000

C. Performance Bonuses for Coaching Accomplishments

Coach for Event	Bonus Amount
USA Olympic Coach	$5,000
USA World Championship Coach (lc)	$2,500
USA World Championship Coach (sc)	$1,000
USA Pan Pacific Team Coach	$1,500
USA Pan Am Games Coach	$1,000

(lc: long course; sc: short course)

D. Performance Bonuses for Accomplishments by Athletes

Cal Swim Team Representative Accomplishment	Bonus Amount
USA Olympic Team	$1,000
USA World Championship Team (lc)	$500
USA Pan Pacific Team	$400
USA Pan Am Team	$250
USA World Championship Team (sc)	$400

(lc: long course; sc: short course)

E. Performance Bonuses for Accomplishments by Athletes in Major Competitions

Individual Cal Swim Team Athlete Accomplishment	Bonus Amount
Individual Olympic Gold Medal	$ 3,000
Relay Olympic Gold Medal	$ 1,500
Individual Olympic Silver Medal	$ 1,500

Relay Olympic Silver Medal	$750
Individual Olympic Bronze Medal	$750
Relay Olympic Bronze Medal	$350
Individual World (lc) Gold Medal	$1,500
Relay World (lc) Gold Medal	$750
Individual World (lc) Silver Medal	$750
Relay World (lc) Silver Medal	$375
Individual World (lc) Bronze Medal	$350
Relay World (lc) Bronze Medal	$175
Individual World (sc) Gold Medal	$1,000
Individual World (sc) Silver Medal	$500
Individual World (sc) Bronze Medal	$250
Individual Pan Pacific/ Pan Am Gold Medal	$1,000
Individual Pan Pacific/Pan Am Silver Medal	$500
Individual Pan Pacific/Pan Am Bronze Medal	$250

(lc: long course; sc: short course)

Items B, C, D, and E above are currently funded through the first three years of this contract. The continuation of these payments, if earned, is subject to proper funding from University contracts with athletic equipment suppliers.

(4) At the discretion of the Athletic Director, the incumbent may earn up to $50,000 for participating in Cal Athletics camp program.

This contract is for a non-revenue sport and as such does not contain a penalty clause for early termination. If Ms. McKeever terminates before the expiration of the agreement, she simply loses the benefits of the agreement, and all University obligations cease.

If the University terminates the contract early without cause, the campus will owe the base salary balance of the contract paid out in monthly installments, and any additional earned bonus income. The University will not be responsible for paying unearned bonus/stipend income in this circumstance.

The compensation provided under this contract is funded exclusively from athletic department revenues (including athletic equipment supplier agreements) and private fund raising, and no State or general campus funds are used in this arrangement.

Additional elements of compensation include:

- Per contract, 20 working days of vacation per each 12-month period of the contract. Coach may not have more than 20 working days of accrued vacation leave at any time during the employment contract. When 20 days of accrued vacation is reached, Coach will cease to earn additional vacation leave until accrued vacation balance is less than 20 working days.

- Per contract and policy, 12 days of sick leave during each 12-month period of the contract.

- Per policy, eligible for standard Health and Welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments.

J. ***Slotting of the Position and a Salary Adjustment for Judith Rothman, Associate Vice Chancellor–Medical Sciences and Senior Associate Dean–School of Medicine, Los Angeles Campus***

Approval of the following slotting of the position and a salary adjustment for Judith Rothman, Associate Vice Chancellor–Medical Sciences and Senior Associate Dean–School of Medicine, Los Angeles campus:

(1) Change in slotting from Salary Grade 106 to Salary Grade 107: Minimum $167,600, Midpoint $212,700, Maximum $257,800, as recommended by Mercer Human Resource Consulting.

(2) Salary adjustment increase of $43,300 (22.5 percent), to bring her annual base salary from $192,700 to $236,000.

(3) Effective June 1, 2007.

(4) Per policy, continued participation in the Senior Management Supplemental Benefit Program at the rate of 5 percent.

Additional items of compensation include:

- Standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Per policy, eligibility for a bonus of up to 10 percent of base salary under UCLA's Staff Achievement Award Program Guidelines.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

K. ***Slotting Adjustment for Alphonso V. Diaz as Vice Chancellor–Administration, Riverside Campus***

Approval of the following items in connection with the salary adjustment for Alphonso V. Diaz as Vice Chancellor–Administration, Riverside campus:

(1) A salary adjustment increase of $11,000 (5 percent) to increase his annual base salary from $220,100 to $231,100. This increase is being given to recognize the permanent addition of Athletics; Campus Dining Services; and Housing Services, including Housing Maintenance and Grounds to his portfolio resulting in an increase in the operating budget from $70 million to $124 million while increasing the FTE count from 550 to 927.

(2) Effective May 1, 2007 pending approval by The Regents.

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefits Program.

- Per policy, currently participating in the Mortgage Origination Program.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

L. ***Preemptive Retention Increase and Graduated Payment – Mortgage Origination Program (GP-MOP) Loan for Brian E.C. Schottlaender, University Librarian, San Diego Campus***

Approval of the following items in connection with the preemptive retention of Brian E.C. Schottlaender as University Librarian, San Diego Campus:

(1) Preemptive retention increase of $15,500 (8.4 percent) to increase his total annual base salary from $184,500 to $200,000, effective May 1, 2007.

(2) Refinancing of his existing MOP loan balance of approximately $290,000 by providing a new MOP loan using the Graduated Payment option in the same amount.

Additional items of compensation include:

- Per policy, 5 percent monthly contribution to the Senior Management Supplemental Benefits Program.

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

M. ***Salary Adjustment for Stephen Thorsett as Dean–Physical and Biological Sciences, Santa Cruz Campus***

Approval of the following items in connection with the salary increase of Stephen Thorsett as Dean–Physical and Biological Sciences, Santa Cruz campus:

(1) Salary increase of $20,000 to bring his base salary from $170,000 to $190,000 (11.8 percent increase) effective immediately upon approval by the Regents (Salary Grade 107: Minimum $167,600, Midpoint $212,700, Maximum $257,800).

Additional items of compensation include:

- Per policy, standard Pension and Health and Welfare benefits and standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

- Per policy, eligible for sabbatical credits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

N. ***Mortgage Origination Program Loan for Charles Alexander as Associate Vice Provost for Student Diversity and Director of the Academic Advancement Program, Division of Undergraduate Education, Los Angeles Campus***

Approval to grant an exception to policy to allow participation in the Mortgage Origination Program (MOP) for Charles Alexander as Associate Vice Provost for

Student Diversity and Director of the Academic Advancement Program in the Division of Undergraduate Education, Los Angeles campus. This is an exception to policy, as normally Mr. Alexander's position is not eligible to participate in the MOP program. The following terms would apply:

(1) The loan may be up to $1 million (maximum loan amount not to exceed the allowable threshold under campus authority at the time the loan is received).

(2) The loan will comply with all other normal Mortgage Origination Program parameters.

O. ***Mortgage Origination Program Loan for Stephen Hubbell as Professor of Ecology and Evolution and Evolutionary Biology, Los Angeles Campus***

Approval for participation in the Mortgage Origination Program (MOP) by Stephen Hubbell, who has been nominated for an appointment as Professor of Ecology and Evolutionary Biology, Los Angeles campus, with the following terms:

(1) The loan may be up to $1.5 million.

(2) The loan will comply with all other normal Mortgage Origination Program parameters.

Upon motion duly made and seconded, the Committee approved the recommendations and voted to present them to the Board.

3. **REPORT FROM CLOSED SESSION FOR APPROVAL OF INDIVIDUAL FACULTY SALARY ITEMS**

The Committee forwarded for approval the following from its May 15 Closed Session meeting:

A. ***Temporary Annual Salary Award for Emory Elliott as University Professor, Department of English and Director, Center for Ideas and Society, College of Humanities, Arts, and Social Sciences, Riverside Campus***

Approval of a temporary annual salary award of $5,000 for Emory Elliott as University Professor, Department of English, 100 percent, and as Director, Center for Ideas and Society, in the College of Humanities, Arts, and Social Sciences, Riverside campus, for a five-year period effective retroactive to July 1, 2006 through June 30, 2011.

B. ***Salary for Shu Chien as University Professor, Departments of Bioengineering and Medicine, San Diego Campus***

Approval of an annual above-scale salary rate of $206,500 (academic year) and $237,100 (fiscal year) for Shu Chien as University Professor, Department of Bioengineering (38 percent), and Department of Medicine (62 percent), respectively, San Diego campus, effective July 1, 2007.

(This represents an increase of $23,400, or 12.8 percent, in his current academic-year salary rate of $183,100 in the Department of Bioengineering, and an increase of $24,600, or 11.6 percent, in his current fiscal-year salary rate of $212,500 in the Department of Medicine).

Upon motion duly made and seconded, the Committee approved the recommendations and voted to present them to the Board.

4. **REPORT FROM CLOSED SESSION FOR APPROVAL OF ESTABLISHMENT OF NEW POSITION AND SLOTTING OF THE POSITION OF DEAN–SCHOOL OF LAW, IRVINE CAMPUS**

The Committee forwarded for approval the following from its May 15 Closed Session meeting:

Approval of the following items in connection with the establishment and slotting of the position of Dean–School of Law, Irvine campus, as part of the establishment of the new School of Law on the Irvine campus and to allow completion of the recruitment process currently under way:

A. Title assignment of Dean–School of Law.

B. Approval of slotting of the position, Dean–School of Law (Salary Grade110: Minimum $233,200, Midpoint $298,800, Maximum $364,300).

C. Effective immediately upon approval by The Regents.

The establishment of the title and the slotting as described establishes the grade and salary range for the University to complete recruitment efforts. The total compensation, terms and conditions for the successful candidate will be presented to The Regents for approval.

Regent Varner reported that he had received a communication from the staff of the California Postsecondary Education Commission (CPEC) expressing the belief that the approval by The Regents of the establishment of a law school on the Irvine campus had been conditioned upon reaching agreement with CPEC on a number of issues, yet many of these issues remain outstanding.

Regent Parsky recalled that The Regents had approved proceeding with the law school but that, in light of some of the issues raised by CPEC, Chancellor Drake was asked to attempt to negotiate some points and report the outcome to The Regents.

Chancellor Drake reported that continued work with CPEC to try to resolve any differences had ended with CPEC's failing to concur with the establishment of the law school.

Regent Parsky asked about the issues that cannot be resolved, noting that The Regents had rarely taken action over the objection of CPEC in the past.

Provost Hume reported that the principal issue of nonconcurrence was a CPEC workforce need analysis that did not support the need for a highly trained workforce in law in California. Chancellor Drake noted that, using a different methodology in determining what type of employment lawyers seek after obtaining their degree, UC discovered that a legal education often was the foundation for pursuits other than the practice of law.

Committee Chair Hopkinson recalled that Regental approval of the establishment of the law school was not contingent upon obtaining CPEC's approval. It was agreed only that the discussion was to be ongoing. Chancellor Drake stated that The Regents' action in November established the school, and it was noted at the time that negotiations with CPEC would continue. In the past, that negotiation had always been completed ahead of time, but in this case it was necessary to report to the Board later with respect to the outcome of the negotiations.

Regent Pattiz believed that, as it had been customary to proceed with such actions only with the concurrence of CPEC, it was important to understand why that concurrence was being withheld.

General Counsel Robinson read the following from the minutes of the November 2006 meeting:

> The Committee on Educational Policy forwarded to the Board through the Committee of the Whole the recommendation that, effective immediately, Section 14(a) of The Regents' provisions as covered under the Standing Order 110.1 etc. be amended as follows:
>
> > Professional schools: there are established the following schools with curricula based on two or more years of undergraduate work: School of Law at Irvine with curricula leading to the degrees of juris doctor, master of laws, and doctor of the science of law.
>
> Committee Chair Marcus proposed the following amendment: Outstanding issues with CPEC that cannot be resolved should be brought to this Board for consideration and appropriate action.

The recommendation had been approved as amended. General Counsel Robinson did not believe that the amendment had made establishment of the law school conditional upon CPEC approval.

Provost Hume recalled that, in a letter dated April 3, President Dynes had outlined the issues about which CPEC disagreed with the University. These included societal need, nonduplication of existing programs, and total cost. CPEC contended that California has a sufficient number of lawyers and that a new law school is not needed. The University's view is that there are not enough good lawyers in California. He noted that the demand for places at UC law schools is extraordinary; in excess of 80 percent of applicants are turned away, and those who graduate are highly sought after.

In response to a question asked by Regent Hopkinson, Chancellor Drake reported that the law school would be interdisciplinary and inter-professional, connecting with academic programs in virtually every school on the Irvine campus, and would have a particularly strong connection with School of Business and Management because of the nexus of law and management in business in Orange County's booming economy. The school will focus also on public interest law and public service to address the needs of vulnerable populations.

Provost Hume observed that the establishment of a law school on the Irvine campus will complement the existing mix of law schools in southern California. There are three public law schools in northern California, but only one in the south. It will provide significant benefits to the people of California at a very modest cost to the State of $9,901 per student.

Regent Marcus recalled that the same questions had been asked and answered following the presentation at the November meeting, and that the recommendation had been approved unconditionally. Because of concern about its differing views, however, it was proposed that any feedback from CPEC on the establishment of the law school be reported to The Regents.

Regents Pattiz and Kozberg expressed concern about the possible negative consequences, including financial, that could result from going forward while remaining at odds with CPEC.

Regent Johnson reiterated that the issue had been discussed thoroughly and had been settled when The Regents voted to establish the law school. She reported that she had attended a CPEC meeting the month before its objections were submitted to the University. She believed that getting concurrence from CPEC would never be possible. She noted, however, that the California State University and the State Department of Education had supported The Regents' establishment of the law school at Irvine, and she believed that the campus should move toward the University's goal to provide an avenue for students who want to attend a public law school that will be top rated.

Faculty Representative Oakley stated that he was in favor of the establishment of the law school and that he believed the best way to proceed would be to acknowledge that, in adopting this item, the Board accepts CPEC's concerns, regrets that the Regents' views are incompatible with those concerns, and reaffirms its conclusion that it is consistent with the education mission of the University to create a second public law school in the southern part of the state. He noted, however, the disparity between the slotting assigned to the deans at the Davis and Irvine campuses, recalling that it is the sense of the Academic Senate that the same jobs on different campuses should not be given significantly different ranges.

Regent Island also supported the establishment of the law school and believed that, while the Regents had intended to seek the advice and recommendations of CPEC, they did not intend to delegate to it the responsibility to establish a law school.

Regent Parsky urged that The Regents go on record as having received the report from Chancellor Drake that he was not able to obtain the concurrence of CPEC. In response, Chairman Blum affirmed that he acknowledged receipt of the report on behalf of the Board and that CPEC's objections had been duly considered.

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

5. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF ANNUAL REPORT ON COMPENSATED OUTSIDE PROFESSIONAL ACTIVITIES FOR CALENDAR YEAR 2006: INCUMBENTS IN CERTAIN SENIOR MANAGEMENT POSITIONS**

The Committee forwarded for approval the following from its May 15 Regents Only session:

Approval of the Annual Report on Compensated Outside Professional Activities for Calendar Year 2006.

> [The Report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

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

6. **REPORT FROM REGENTS ONLY SESSION FOR SLOTTING AND SALARY ADJUSTMENTS FOR CERTAIN MEMBERS OF THE OFFICE OF THE TREASURER**

The Committee forwarded for approval the following from its May 15 Regents Only session.

Approval of the following actions for certain individuals in the Office of the Treasurer:

A. A new job structure, as recommended by Mercer Human Resource Consulting.

B. Slotting of positions to better align salary opportunities with current market data provided by Mercer Human Resource Consulting.

C. Base salary increases for certain employees in the Office of the Treasurer, to be effective May 1, 2007, upon Regental approval. The increase recommendations are to address market parity issues and are based upon assessment of each individual's contribution and performance, and where applicable, assets under the individual's management and specific market data relating to the asset class managed by the person.

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

7. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF STIPEND FOR RICHARD STANDIFORD AS ACTING VICE PRESIDENT–AGRICULTURE AND NATURAL RESOURCES, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following from its May 15 Regents Only session:

Approval of the following items in connection with the stipend for Richard Standiford as Acting Vice President–Agriculture and Natural Resources, Office of the President, while a search is conducted:

A. Administrative stipend of 15 percent (calculated against current salary, the stipend is $25,665) in addition to his base salary of $171,100, for a total annual salary of $196,765.

B. As an exception to policy, an automobile allowance of $743 per month due to the expectation that Mr. Standiford will be serving at 100 percent time performing the full scope of this position which, on a permanent basis, is eligible under policy for an automobile allowance.

C. Effective May 1, 2007 through October 31, 2007, during recruitment of a permanent Vice President–Agriculture and Natural Resources, or until the position is filled.

Additional items of compensation as a current SMG member include:

- Per policy, a 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.

- Standard Pension and Health and Welfare benefits and Standard Senior Management benefits, including Senior Manager Life Insurance, Executive Business Travel Insurance, and Executive Salary Continuation for Disability.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

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

8. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF BONUS PAYMENT FOR ANNE L. SHAW AS ASSOCIATE SECRETARY OF THE REGENTS**

The Committee forward for approval the following from its May 15 Regents Only session:

Approval of bonus payment for Anne L. Shaw as Associate Secretary of The Regents:

A one-time bonus of $20,500 (20 percent) in recognition of Ms. Shaw's performance and contributions over the past twelve months during which time she was Acting Secretary of The Regents. This bonus will be processed under the Staff Recognition and Development Program, and is consistent with the terms and conditions governing this program.

Additional items of compensation include:

- Ms. Shaw currently receives an administrative stipend of $15,400 (15 percent) in addition to her base salary of $102,440, for a total annual salary of $117,840. This stipend is in recognition of the additional duties she assumed as Acting Secretary of The Regents. The stipend will cease upon transition of responsibilities to the newly appointed Secretary and Chief of Staff to The Regents.

- Standard Pension and Health and Welfare benefits.

  The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

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

9. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF COMPENSATION FOR WILLIAM H. GURTNER AS VICE PRESIDENT–CLINICAL SERVICES DEVELOPMENT, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following from its May 15 Regents Only session:

Approval of the following items in connection with the recall appointment and compensation for William H. Gurtner as Vice President–Clinical Services Development:

A. An appointment salary of $172,000 (43 percent of full time rate of $400,000) for William H. Gurtner as Vice President–Clinical Services Development, 43 percent, effective August 1, 2007 through June 30, 2008 or terminating earlier depending on completion of projects and/or transition of responsibilities under the new organizational structure.

B. Reimbursement of reasonable and actual business related travel and entertainment expenses.

Additional items of compensation include:

- Retirement income and retiree medical benefits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

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

10. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF COMPENSATION FOR LAWRENCE C. HERSHMAN AS SPECIAL CONSULTANT–BUDGET MATTERS, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following from its May 15 Regents Only session:

Approval of the following compensation for Lawrence C. Hershman, in an advisory capacity, as Special Consultant–Budget Matters, Office of the President:

A. A total annual salary not to exceed $150,000 for up to 43 percent time, for Lawrence C. Hershman as Special Consultant–Budget Matters, Office of the President.

B. Effective June 4, 2007 upon approval by The Regents and to continue until June 30, 2008 or upon transition of budget responsibilities after the organizational structure is final. The contract provides for termination by either party with 60 days' notice.

C. Reimbursement of reasonable and actual business related travel and entertainment expenses.

Additional items of compensation include:

- Retirement income and retiree medical benefits.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments.

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

11. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL TO USE FEE EARNED BY THE UNIVERSITY FOR UNREIMBURSED SALARY AMOUNT AND FOR PERFORMANCE INCENTIVE PAYMENT FOR UC-DESIGNATED KEY PERSONNEL AT LOS ALAMOS NATIONAL SECURITY, LLC**

The Committee forwarded for approval the following from its May 15 Regents Only session:

A. Approval for the amount of base compensation unreimbursed by the Department of Energy/National Nuclear Security Administration for the Principal Associate Director–Science, Technology and Engineering, which is a UC-designated key personnel at Los Alamos National Security, LLC (LANS), to be reimbursed by UC from the fee earned by the University under the terms of the LANS contract.

B. Approval of a performance incentive bonus of $24,526 for the period June 1, 2006 through September 30, 2006 representing 6.67 percent of salary (prorated) for the Los Alamos National Laboratory Director Anastasio.

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

12. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF RESLOTTING OF EXISTING POSITION OF VICE PRESIDENT–ACADEMIC PERSONNEL, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following from its May 15 Regents Only session:

Approval of the following items in connection with the reslotting of the position of Vice Provost–Academic Personnel based on updated market data, to allow recruiting to begin:

A. Approval of reslotting of the position, Vice Provost–Academic Personnel at Salary Grade 108: Minimum $187,100, Midpoint $238,200, Maximum $289,300, based on the recommendation from Mercer Human Resource Consulting.

B. Effective immediately upon approval by The Regents.

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

13. **REPORT FROM REGENTS ONLY SESSION FOR APPROVAL OF ESTABLISHMENT AND SLOTTING OF NEW POSITION OF VICE PRESIDENT–RESEARCH AND GRADUATE STUDIES, OFFICE OF THE PRESIDENT**

The Committee forwarded for approval the following from its May 15 Regents Only session:

Approval of the following items in connection with the establishment and slotting of the position of Vice President–Research and Graduate Studies, to allow recruitment to commence:

A. Establishment of a new Senior Management Group position, Vice President–Research and Graduate Studies.

B. Approval of the slotting of the position, Vice President–Research and Graduate Studies at Salary Grade 110: Minimum $233,200, Midpoint $298,800, Maximum $364,300, based on the analysis and recommendation from Mercer Human Resource Consulting.

C. Effective immediately upon approval by The Regents

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

14. **PLANNING FOR A RANGE ADJUSTMENT FOR FACULTY SALARIES**

It was recalled that President Dynes charged a Work Group chaired by Provost Hume with proposing a plan that will increase faculty salaries to a competitive position, reduce the proportion of faculty who are paid off scale, adjust the salary ranges and perform other procedural changes necessary to achieve these goals, and draft new scales where necessary to reflect disciplinary needs.

The Work Group recommended that the University:

A. Eliminate from APM 620 (University of California Academic Personnel Manual Off-Scale Salaries for Appointments and Advancements) language declaring that off-scales are to be used only in exceptional circumstances, and only in the short term.

B. Amend APM 620's language to change the faculty salary scale from a "point" system to a "range" system so that "on-scale" will mean being within the range of salaries between the defined level of a step up to the level of the next step available.

C. Plan for a cost-of-living adjustment (COLA) this year to all faculty, whether they are off- or on-scale. This COLA should, however, be less than it would normally be for the coming year, in order to accomplish recommendation D. below.

D. Propose a new scale, for the purposes of discussion and analysis, that would change the salary scales substantially upwards in order to capture many of the faculty who are now off-scale.

Provost Hume recalled that the Regents had been provided previously with an overview of how ladder rank faculty salaries are set through a rank and step system, and of the merit review process. He reported that the challenge of recruiting and retaining faculty of the highest caliber has strained the scale system. He discussed the four recommendations of the Work Group that can be taken to restore competitive ladder rank faculty salary scales.

The merit-based rank and step system of academic personnel review for ladder rank faculty is fundamental to the academic excellence of the University. While the advancement elements are functioning well, the associated compensation levels have not kept up with market realities. Over time, increasing numbers of ladder rank faculty are being paid off-scale salaries, and the strength of the rank and step system is being undermined. Even with off-scale salaries, UC faculty salaries continue to lag behind those of its comparison institutions. Other institutions also recognize the value of UC faculty. Campuses report increasing difficulty matching offers from competitors. There is a critical need to restore the integrity of the salary scales and at the same time to raise ladder rank faculty salaries to meet market conditions.

The President's Work Group's four recommendations are being circulated for review by the Academic Senate. The first, to amend the Academic Personnel Manual APM 620 Policy Governing Off-Scale Salaries to eliminate the exceptional language, will support the continued use of off-scale salaries where necessary to meet market conditions. In the ideal state, less than 20 percent of faculty would be off scale. The second is to amend APM 620 to change the faculty salary scales from a point system to a range system so that each set will be a range upward rather than a single value. This amendment would conform policy to actual practice and bring approximately one-third of the off-scale faculty salaries back on scale. These first two recommendations have no cost to the University; they do not change the actual scales, but they will bring outdated policy language in line with current practices that are working well to serve academic objectives. Third, a cost of living adjustment will be planned this year for all ladder rank faculty, both on-scale and off-scale. This will provide some increase to all faculty so that those who currently have off-scale salaries will keep pace with the market. Finally, a market adjustment is proposed to create a new professorial salary scale or set of scales for the purposes of discussion and analysis which would move the ladder rank faculty scales substantially upwards. When implemented, the new scales would bring the majority of faculty salaries on scale and address the lag between UC salaries and those of its comparison institutions. The next steps will include the development of cost estimates on the proposal, the evaluation of the impact of various funding scenarios on campus budgets, an assessment of the impact of the new scales on campuses for faculty in the general ranks, and an assessment of the impact on the Health Sciences Compensation Plan and non-State-funded health sciences faculty.

In concluding his presentation, Provost Hume emphasized that the restoration of the faculty salary scales to the competitive market is a top priority of the President, working together with the Academic Senate. The University should engage in a dialogue about the funding priority of faculty salaries that must include the annual budget negotiations with the Governor and the Legislature as well as internal discussions about the allocation of existing resources. The absence of persistent attention to maintaining competitive faculty salaries will result in the erosion of the University's greatness over time.

Committee Chair Hopkinson believed that in order to establish the ranges, it will be necessary to go through a process similar to the one used for the Senior Management Group. There will need to be an independent evaluation of what the ranges should be that will be forwarded to the faculty to review. She recalled that The Regents adopted a ten-year plan to bring faculty salaries to the appropriate level. The plan is into its fourth year, and at the next meeting an update should be presented to report on the plan's progress and on how the additional State funds that were attained to help have been used. Also, before making a commitment on a long-range plan for faculty, the Regents must understand the context of all of the positions at the University, including the annual financial implications for each category and an assessment of how far they are below market.

In response to a question asked by Faculty Representative Brown, Committee Chair Hopkinson emphasized the necessity of determining a process for independent evaluation of how the ranges should be reset. The faculty should inform the Board as to how that independence may be assured.

15. ANNUAL REPORT ON COMPENSATION FOR CALENDAR YEAR 2006: INCUMBENTS IN CERTAIN SENIOR MANAGEMENT POSITIONS (FINAL REPORTING)

The University's final Annual Report on Executive Compensation for Calendar Year 2006 builds on the report that was presented to The Regents in March 2007 wherein data was presented on those incumbents in the "named positions." This report includes that information plus data on the remaining population.

The content and layout of this report, compliant with legislative reporting requirements, was approved by The Regents at the January 2007 meeting. The report presents the following information for calendar year 2006:

Population covered: This report includes all incumbents in the "senior officials" listing as referenced in the legislative report and the population that currently requires Regental review and approval, e.g., those administrators in slotted positions, including athletic directors and coaches, whose potential total cash compensation exceeds $200,000 per annum.

The report displays compensation details on approximately 500 incumbents and former incumbents in these positions, including those in an acting capacity and those who stepped down or terminated employment. If an individual held more than one role during 2006, the last position held is reported.

Cash compensation: The report presents the following details on each person: annualized base salary, annualized stipends, actual payments received under incentive or bonus programs, total actual Health Sciences Compensation Plan (HSCP) payments, and other cash compensation or cash payments. A subtotal of these elements is also provided. This information is a combination of data that represents actual payments and annualized figures. The annualized figures for base salary and stipends were chosen over actual pay to avoid problems with partial year assignments. For example, actual pay for a new employee who starts employment with the University in November with an annualized base salary of $240,000 would be only $40,000. In many cases, stipends (which are represented in the report as annualized figures) may only be paid for a portion of the year and therefore do not reflect what the recipient actually received. In some cases, individuals received the stipend for less than the full year, but the annualized figure is still represented.

Health Sciences Compensation Plan payments are provided and displayed in a separate column for those participants who produce clinical revenue. The amounts displayed reflect actual payments to the individuals and include income processed through the HSCP (per policy) from qualified outside activities, such as speaking engagements. Because an individual's outside activities fluctuate from year to year, the HSCP payments may fluctuate accordingly.

One-time payments/reimbursements are made to the employee or on behalf of the employee to a third-party vendor, including relocation allowances, temporary housing reimbursements or allowances, and moving expense reimbursements. Some of the information displayed in this section is described in more detail in the addendum.

Benefits and perquisites include leased auto or auto allowance, senior management benefits (including some or all of the following: life insurance, executive business travel insurance, executive salary continuation for disability), University-provided housing, severance benefits, senior management supplemental benefit program contributions, additional post-retirement benefits (including medical coverage, enhanced retirement income benefits, enhanced retirement vesting schedules, etc.), and home mortgage loans provided under the University programs (the original loan amount is presented). Auto allowances are represented as annualized figures. In some cases, individuals received the allowance for less than the full year, but the annualized figure is still represented. Where post-retirement or severance benefits are noted, further detail is provided in an addendum.

Data Collection, Review, Audit and Certification Process

The Annual Report on Compensation was produced from data collected manually by each campus and laboratory using a variety of sources such as payroll, account payables, personnel records and others to populate a data warehouse, the Senior Leadership Information System (SLIS). Multiple data quality reviews were conducted by the Office of the President (OP) and local entities. The first certification occurred at the individual level when each person received a report from SLIS displaying his or her data and was asked to certify that the information was accurate and complete. Each person also certified that there were no other forms of compensation paid to him or her, nor did he or she have any other compensation due that had yet to be paid. In addition, campus and OP auditors reviewed the population and data, checking against source records to validate the accuracy and completeness of the data entry and the reportable population. Each Chancellor and Executive Vice President reviewed his or her group data certifying that the population contained in the report was accurate and complete.

> [The Annual Report on Compensation for Calendar Year 2006: Incumbents in Certain Senior Management Positions (Final Reporting) was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

16. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN – EXPERIENCE STUDY: PROPOSAL TO ADOPT CHANGES IN ACTUARIAL ASSUMPTIONS**

The President recommended that:

A. The proposed actuarial assumption changes for the University of California Retirement Plan (UCRP) be adopted.

B. UCRP be amended to provide for an annual actuarial valuation.

C. UCRP be amended to provide for an experience study every three to five Plan years, as deemed necessary by the Plan Administrator.

D. Authority be given to the Plan Administrator to implement any Plan amendments necessary to carry out the above actions.

It was recalled that, periodically, the Consulting Actuary for UCRP, The Segal Company, conducts an Experience Study to compare the expected experience under UCRP to the actual experience, and makes recommendations to adjust plan assumptions as necessary to be able to calculate the best estimates of future liabilities. An experience study was last performed in October 2003, with the new assumptions effective with the UCRP July 1, 2004 valuation. The Segal Company has completed its current evaluation, specifically analyzing:

- The Plan's actual as compared to expected experience with respect to mortality, retirement, withdrawal, and disability rates;
- The Plan's actual as compared to expected experience with respect to merit, longevity, and promotional salary increases, adjusted for inflation;
- The Plan's actual as compared to expected experience with respect to other valuation assumptions, including the percentage of UCRP members with eligible survivors, sick leave conversion, future rates of benefit accrual, lump sum cashout elections, and deferred vested retirement age;
- Whether the Plan's actual experience as compared to the expected experience reflects a significant pattern or trend which would indicate that a change should be made to the Plan's actuarial valuation assumptions; and
- Whether the current economic assumptions (including price inflation, wage inflation, and investment return) are still appropriate.

Changes in Assumptions

The recommended changes to the assumptions primarily represent minor adjustments to assumptions that have generally reflected actual experience.

Recommended changes in economic assumptions include:
- Changing the assumed rate of price inflation to 3.5 percent from 4.0 percent; and
- Changing the structure of the salary increase assumption to
  - apply salary increases separately by faculty and non-faculty;
  - correlate promotional and merit salary increases by service instead of by age; and
  - introduce a new, "across the board" pay increase assumption.

Recommended changes in demographic assumptions include:
- Modifying retirement assumption for all groups;
- Modifying mortality assumption for disabled pensioners;
- Adjusting termination rates;
- Decreasing disability incidence assumption;
- Introducing Lump Sum Cashout take-rate assumption; and
- Changing methodology for covered payroll.

The following assumptions were evaluated, but actual experience did not warrant changes to them at this time:

- Healthy mortality rates;
- Investment return rate;
- Administrative expense loading percentage; and
- Future benefit accrual assumption.

Because of the transition of the management of the Los Alamos National Laboratory (LANL) to a successor contractor and the planned transition of the management of the Lawrence Livermore National Laboratory (LLNL) to a successor contractor, all experience data for active UCRP members at LANL or LLNL during the review period was excluded from this study in the determination of any prospective assumptions that will affect UCRP active members.

Impact of Changes on the Plan

As an assessment of the impact of the changes in assumptions, if the changes had been applied to the actuarial valuation for the plan year beginning July 1, 2006, the total impact of implementing all of these recommended changes would have been a decrease in the actuarial accrued liability (AAL) of $196 million (0.5 percent of AAL) and a decrease in the dollar amount of normal cost (NC) of $27 million (2.1 percent of NC); however, the normal cost rate would have increased by approximately 0.9 percent of payroll because of the change in the method for projecting covered payroll.

The July 1, 2007 valuation will incorporate these updated assumptions as well as updated UCRP data and investment performance through June 30, 2007, and the transfer of assets and liabilities from UCRP to the Los Alamos National Security, LLC (LANS) defined benefit plan, as approved by the Regents in March 2007. The net impact of these combined changes is unknown at this time.

Any changes in assumptions that apply to the 415(m) Restoration Plan or the PERS Plus 5 Plan will also be effective with the July 1, 2007 valuations for those plans. To the extent the changes apply to one or both plans, they will be incorporated by cross reference through the plan's terms.

UCRP Amendments

In addition to necessary amendments for the change in actuarial assumptions, two other UCRP amendments are recommended as to the timing of actuarial reports. It is proposed that the Plan be amended so that the actuarial valuation is performed annually, as has been done for many years. It is also proposed that UCRP be amended to provide for an experience study every three to five Plan years, as deemed necessary by the Plan

Administrator. These proposed changes follow generally accepted practice among public pension plans and reflect the advice of the Plan's Consulting Actuary.

In response to a question asked by Regent Garamendi, Mr. Paul Angelo, representing The Segal Company, explained that, starting with the July 1, 2007 actuarial valuation, the assumptions used to project how long people will live and work will change slightly, producing slightly smaller measures of liability and lowering slightly the normal cost in dollars, although it will increase the normal cost as a percentage of payroll.

In response to a further question, Mr. Angelo reported that for the last twenty years the growth rate for all pension systems has been about 10 percent. Historical returns during that period have been higher than the assumptions that retirement systems have used. The choice of 7.5 percent is prudent, as it is 2.5 percent less than the historic amount over the last decade. The practice of public sector plans from the 1990s to the present has ranged from 7 percent to as high as 8.5 for larger state plans. There is always a disconnect between the assumption that these systems adopt going forward and their recent experience, whether it was high or low. For example, during the 1990s, when rates of return in equity markets could be 20 percent, systems did not move in that direction. Similarly, in the first three years of this century when there were market losses, systems did not lower their assumptions radically. Because this is such a long-term assumption, it tends to be fairly unresponsive to the actual historical recent returns in these systems, a practice which is consistent with actuarial standards.

Regent Garamendi asked what the effect would be of choosing a rate of 7.75 percent or 8 percent. Mr. Angelo responded that it would lower the current measure of liabilities – the cost of the plan as measured at the time – and increase the risk going forward. The ultimate cost of the plan depends on the actual investment return. A more aggressive assumption and a higher investment return would produce a lower measured cost today, but the tradeoff would be that it would increase the costs in future years.

Regent Garamendi observed that the Regents are faced with making a decision about the share of contributions paid to the retirement system by employees and the University. He asked whether that decision will be affected by the choice of 7.5 percent or 8 percent. Mr. Angelo responded that it would not be affected directly. For example, the normal cost percentage, which generally is the basis for the year-by-year contributions from members and UC, is about 16 percent. The question is, what portion of the ongoing cost of 16 percent will be borne by the University and what portion by the members. This change in the interest rate assumption might well change that number from 16 to 15 or 17, but that would still leave open the broader question of what proportion will be borne by the members. That consideration is independent of the actuarial assumptions.

Regent Garamendi asked what has changed in the past 20 years that has led to the necessity of resuming payments into the retirement plan. Mr. Angelo responded that for ten or twelve years, because of high investment returns, the plan's assets were greater than its liabilities.

Although there was still an annual cost of the plan, or the normal cost, that cost was funded out of the surplus rather than from contributions. Now that the investment returns have leveled off, the surplus is running out.

Executive Vice President Darling added that it is not just investment returns driving the necessity for resuming contributions, it is also the proportion of employees who have paid into the plan historically versus those who have not, how the employee base is shifting, and several other factors.

Associate Vice President Boyette noted that demographics change, which is part of the reason for conducting experience studies. The number of retirees is increasing. That has also had an effect on the growing cost of covering more new entrants to the plan, which is one issue the experience study examines. Mr. Darling added that, because of the ballooning number of baby boomers who are retiring, the cohort of retirees versus those still employed is growing.

In response to a further question asked by Regent Garamendi, Mr. Angelo reported that, while 10 percent was the average rate of investment return for about ten years, the rate was not steady. The investment return for the first three years of the new century dropped substantially, producing negative returns two years in a row. The necessity for the resumption of contributions is based in part on the investment return and in part on the demographics.

Chairman Blum commented with respect to the recommended 7.5 percent assumption. The resumption of contributions to the plan is necessary to reduce risk to the system that was forced upon it by world trends. The returns produced in the past can no longer be counted on. He recalled that, for years, a 7 percent return could be assured simply by buying high-quality bonds. Adding to those some higher risk investments could produce 10 or 15 percent in good years. During the past three years, because of the huge amount of money being generated in the Gulf in terms of surplus that is being invested around the world because of the price of oil, and because of the surplus from trade in Asia, particularly China and India, there is global liquidity on an order of magnitude not seen in nearly 50 years. Over time, the retirement plan has turned to alternative investments, whether leveraged buyouts or real estates or hedge funds, and has done well, but the plan's liabilities are growing by more than 4 percent a year. He believed that it would be irresponsible to not start contributing to the pension fund and to consider an assumption rate that is more aggressive than 7.5 percent.

Executive Vice President Darling commented that the funded status of the UC Retirement Plan had declined from about 154 percent a few years ago to 104 percent and is projected, based on returns, to drop below the 100 percent mark in the next year or two. In response to an observation made by Regent Garamendi that all employees should be apprised of this, Mr. Darling reported that the University has sent out written information, provided information on its web sites, and offered briefings to its community explaining the necessity of resuming contributions to the plan.

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

17. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN BENEFIT PROPOSAL FOR UC LADDER-RANK FACULTY ON LEAVE WITHOUT PAY AT THE HOWARD HUGHES MEDICAL INSTITUTE AND THE LUDWIG INSTITUTE FOR CANCER RESEARCH**

The President recommended that:

A. The University of California Retirement Plan (UCRP) be amended as reflected in the Attachment, effective March 1, 2007, to provide for the following:

(1) Effective for UCRP retirement dates, disability benefit dates or deaths (survivor benefits) occurring March 1, 2007 or later, ladder-rank faculty on Leave Without Pay (LWOP) with concurrent affiliate appointments at Howard Hughes Medical Institute (HHMI) or the Ludwig Institute for Cancer Research would have their UCRP benefits calculated so that:

- The highest average plan compensation (HAPC) used in the UCRP retirement income calculation or death while eligible to retire benefit calculation would be determined over the 36-consecutive-month period that produces the highest monthly average, taking into account UCRP covered compensation while on UC payroll and UC-approved equivalent covered compensation while on LWOP to allow the value of their UCRP benefit to reflect higher compensation in later years.

- Past and future HHMI or Ludwig service would count toward satisfying UCRP's 5-year vesting requirement for UCRP retirement income only (but not for eligibility for death and disability benefits), but would not count as additional UCRP service credit in the calculation of retirement income.

- The "Final Salary" as defined in UCRP that is used to determine the UCRP preretirement survivor income and the UCRP disability income benefits payable while on LWOP would take into account the highest salary earned while on the UC payroll or the equivalent UC salary earned while on LWOP, but eligibility for these benefits would be based only on UCRP service credit on the same basis that applies to all UCRP members on LWOP.

(2) The affected locations would fund the increase for the past and future UCRP liability due to these proposed changes, as determined by the Plan's

Consulting Actuary, The Segal Company (Segal), so that the cost of adopting the proposed changes described would be cost neutral to UCRP.

B. Authority be given to the Plan Administrator to implement the proposed amendments.

It was recalled that the Office of the President has received inquiries from individuals and administrators who are concerned that faculty holding affiliate appointments at HHMI and Ludwig receive retirement benefits that have significantly less value than faculty who hold equivalent full-time UC-paid appointments throughout their careers.

After extensive analysis and systemwide consultation, a proposal has been developed to address retirement issues for UC ladder-rank faculty working under HHMI and Ludwig affiliation agreements. The proposal, in addition to improving UCRP retirement benefits, would also improve the UCRP benefits payable to eligible faculty and their spouses/domestic partners in those cases in which the faculty member becomes disabled or dies while on LWOP. Adoption of the proposal would allow eligible ladder-rank faculty appointees on LWOP from UC to make retirement choices based on academic decisions; they would no longer be required to return to UC employment primarily to vest in UCRP benefits or to earn a higher HAPC for their UCRP benefit. The proposal would modify the UCRP benefit calculations for such faculty members to address the disparity.

Under current agreements, UC faculty members receive salary and benefits from the affiliated agencies and are placed on a concurrent LWOP from UC. Consequently, their UC salary and benefits are suspended and they stop accruing UCRP service credit while on leave, even though under the affiliation agreements they are permitted, on a part-time basis, to provide valuable academic services to UC, including teaching, research, and administrative services.

Currently, salary and service at HHMI or Ludwig do not count towards eligibility for or enhancement of any retirement, disability, or survivor benefits under UCRP, which generally are based on three factors – UCRP service credit, HAPC, and the applicable age factors. The 36-consecutive-month period used to calculate a UCRP member's HAPC is usually a member's final three years of employment with UC; however, the HAPC for UC faculty on LWOP while working at HHMI or Ludwig typically is based on the lower salary the faculty member earned while on the UC payroll at an earlier point in his or her career. In addition, vested UC faculty on LWOP while working at HHMI or Ludwig do not receive cost-of-living adjustments (COLAs) on the HAPCs during the leave, whereas vested faculty who leave a UC-paid position and become inactive members of UCRP (for example, to take a position with a competitor institution) receive annual COLAs on their HAPCs until they elect to retire or take a Lump Sum Cashout. Currently, in order to maximize the UCRP HAPC, the faculty member on LWOP with HHMI or Ludwig must return to a UC-paid position for at least three years prior to electing retirement benefits from UCRP.

Salary Setting While on LWOP from UC

For each HHMI/Ludwig faculty member, the campus determines the appropriate rate of equivalent UC covered compensation that the faculty member would earn if paid directly by UC. This rate is based on the faculty member's rank and step according to established UC academic review procedures. For general campus faculty, the rate is based on the academic-year faculty salary as a nine-month appointee. For faculty covered by the UC Health Sciences Compensation Plan, the rate is the fiscal-year base salary determined by the faculty member's academic rank, step, and Academic Programmatic Unit.

The campuses annually provide salary recommendations to HHMI which take into account the equivalent UC covered compensation rate as well as the equivalent UC non-covered salary that the faculty member would receive if paid by UC for a 12 full month period of service. For general campus HHMI/Ludwig faculty, this includes the equivalent of three summer 9ths (the three summer months). For Health Sciences Compensation Plan faculty, this includes the equivalent of negotiated compensation paid from grants or clinical funds. The salaries that HHMI pays to faculty are comparable to UC-paid faculty.

Contributions to UC by HHMI/Ludwig Faculty

The HHMI and Ludwig investigators who hold concurrent UC faculty appointments are an integral part of their campus communities. The academic review process for the UC faculty appointment and promotion is the same for them as it is for other ladder-rank faculty members. The University substantially benefits from the affiliations, not only because of the contributions made by the individual investigators, but also from the sizable institutional support provided by HHMI and Ludwig. Affiliate institutional support to UC includes occupancy fees, funding for construction and renovation of facilities, investigator start-up expenses, and salary support. For UC Berkeley and UC San Diego alone, this support is more than $50 million annually.

HHMI/Ludwig faculty are extremely valuable and productive teachers and mentors. For example, as of February 2007, the ten HHMI faculty members at UC Berkeley were supervising and mentoring a total of 82 graduate students and 39 UC-paid postdoctoral scholars. At UC San Diego, teaching by HHMI/Ludwig faculty includes delivering lectures, mentoring junior faculty, directing the Cell Biology Course for Biomedical Sciences graduate students, mentoring graduate postdocs and graduate students in the laboratory, and leading discussion groups. At UC San Francisco, one HHMI faculty member has won UC San Francisco teaching awards eleven times, and another received the Inspirational Teacher Award from the Class of 2006.

Many of the investigators serve in leadership positions. The investigators may serve as department chairs, leaders of graduate training programs, and directors of major research centers. For example, members of the HHMI faculty at UC Berkeley have served as co-Chair of Molecular and Cell Biology, Vice Chair of Chemistry, Director of the Lawrence

Berkeley Laboratory Molecular Foundry, Division Head of Genetics, and Director of the Campus Stem Cell Center, among other major leadership posts. At UC San Francisco, two HHMI faculty have served as department chairs, two are division chiefs, and three have led or still lead graduate training programs.

Many investigators have received recognition for their outstanding contributions. At UC San Diego alone, HHMI/Ludwig faculty include seven members of the National Academy of Sciences, two members of the Institute of Medicine, and three members of the American Academy of Arts and Sciences.

Comparison of Retirement Benefits

HHMI investigators receive a flat 10 percent of salary employer contribution to a HHMI-sponsored defined contribution plan; Ludwig investigators receive a 10.5 percent of salary employer contribution to a Ludwig-sponsored 403(b) plan. No employee contribution is required in order to receive these benefits. The account balances in the defined contribution plan and 403(b) Plan are converted to annuities for comparison purposes. Even with the UCRP benefit improvements that would be achieved by this proposal and the annuitized savings plan benefits from HHMI/Ludwig plans, the combined benefits would still be less than if the faculty member spent his or her entire career at UC. It should be noted that these calculations are based on earnings assumptions for the HHMI/Ludwig accounts that are equal to the assumed earnings rate for UCRP. The actual earnings of the faculty member in these plans could be greater or less, depending on the performance of the investments selected by the individual faculty member.

Number of Affected Faculty and Associated Costs

At present there are 45 HHMI ladder-rank faculty at UCB, UCLA, UCSD, UCSF, and UCSC and 7 Ludwig ladder-rank faculty at UCSD. Thirty-nine of these members have UCRP service credit and, of those members, 27 are vested and currently eligible for a UCRP benefit. Members who are not currently vested in UCRP but who have prior UCRP service credit would be eligible for UCRP retirement income under the proposal if their combined service was at least five years. The amount of the benefit would be based only on actual UCRP service credit. None of the current Ludwig faculty have prior UCRP service.

The Plan's Consulting Actuary, The Segal Company, has determined that the total cost as of March 1, 2007, for the proposed change would be approximately $8.5 million, based on the difference between the UCRP benefits under current plan provisions and the benefits that would be provided under the proposed change. The total cost is determined based on the actuarial assumptions in the July 1, 2006 UCRP actuarial valuation, including assumed retirement dates in the future and the current 52 HHMI/Ludwig affiliates only. The impact of members returning from LWOP to UC employment has not been valued. All costs are estimated based on campus-provided data as of August 2006.

Cost Neutrality for UCRP/Location Assessments

As noted earlier, the proposal is designed to be cost neutral to UCRP. For liabilities attributable to past service, the proposal is considered to be cost neutral to UCRP if the contributions to fund the additional benefits from each campus location are equivalent to the ultimate increase in actuarial liabilities, measured as of March 1, 2007 using the July 1, 2006 UCRP actuarial assumptions.

Of the $8.5 million total cost of this proposed change , $5.8 million is attributable to the past service liability through the proposed effective date of March 1, 2007. This is the value of additional benefits associated with salary increases since the faculty went on a LWOP from UC until March 1, 2007. The affected locations would pay UCRP the full cost for enhancing the UCRP benefits for current HHMI/Ludwig faculty on LWOP for past service liability as of March 1, 2007 either as a lump sum or amortized over five years, as calculated by Segal.

In addition, there are estimated future service costs of $2.7 million for this proposed change in benefits, representing the difference between the total cost and the past service liability. These costs represent the value of additional benefits associated with estimated salary increases that occur after March 1, 2007. Each campus will also pay the future service costs annually for each current and newly appointed HHMI/Ludwig faculty member on the basis of a percentage of UC-approved LWOP equivalent covered compensation, as calculated by Segal. The future service cost as of March 1, 2007 calculated as a percentage of UC-approved LWOP covered compensation is 3.59 percent. This cost includes a provision for the administrative expenses associated with implementing this proposed benefit change. The Plan's Actuary would recalculate the future service liability percentage every three to five years to maintain cost neutrality.

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

18. **AMENDMENT OF THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN TO FACILITATE CLOSEOUT OF THE CONTRACT BETWEEN THE UNIVERSITY OF CALIFORNIA AND THE DEPARTMENT OF ENERGY/NATIONAL NUCLEAR SECURITY ADMINISTRATION FOR THE MANAGEMENT OF THE LAWRENCE LIVERMORE NATIONAL LABORATORY**

The President recommended that:

A. Effective October 1, 2007, the University of California Retirement Plan (UCRP) be amended as necessary to:

(1) Allow all Lawrence Livermore National Laboratory (LLNL) employees who are active UCRP members to take advantage of any of the retirement options provided for by the Request for Proposal and/or contractual obligations with

the successor contractor and the Department of Energy/National Nuclear Security Administration (DOE/NNSA). Such options include:

- Voluntary transfer of accrued benefits and service credit under UCRP through September 30, 2007 (with the exception of the Capital Accumulation Provision (CAP) benefit) to the successor contractor's defined benefit plan, on the condition that such transferred service credit may not be reestablished upon subsequent employment with UC and that such transfer extinguishes all rights to further UCRP benefits (other than the CAP benefit).

- Retain rights to UCRP benefits, if eligible, by either retiring or electing inactive membership under UCRP.

(2) Provide the appropriate UCRP service credit for LLNL employees returning from military leave, in accordance with the Uniformed Services Employment and Reemployment Rights Act (USERRA), provided they begin employment with the successor contractor following their leave.

(3) Retain the CAP benefit in UCRP for LLNL members who transfer their UCRP accrued benefits and service credit to the successor contractor's defined benefit plan and, based on Internal Revenue Service (IRS) guidance, prohibit distribution of their CAP benefits until they separate from employment with the successor contractor.

(4) Provide funding from UCRP to the successor contractor's defined benefit plan at a rate sufficient to meet its cash flow requirements to cover reasonable plan-related expenses and to make distributions to participants who become entitled to benefits prior to the final transfer of UCRP assets, in accordance with current contractual obligations.

B. The Plan Administrator be authorized to implement these plan amendments.

Associate Vice President Boyette recalled that Congressional action in 2003 mandated that the DOE conduct a competition for management of any laboratory contract that had been in place for 50 years or more without competition. In accordance with this Congressional mandate, on July 14, 2006, the DOE/NNSA issued an Request for Proposal to manage LLNL effective October 1, 2007, following the expiration of UC's current management contract on September 30, 2007.

UCRP Accrued Benefits, Associated Assets and Liabilities, and Other Benefit Issues

The RFP requires that the successor contractor must sponsor a site-specific defined benefit plan that incorporates key provisions of UCRP for those LLNL employees wishing to transfer their accrued UCRP benefits (with the exception of CAP benefits) and service credit to the defined benefit plan of the successor contractor. CAP benefits should remain in UCRP, according to Internal Revenue Service guidance, until these members separate from service with the successor contractor. Employees transferring their accrued UCRP benefits and service credit to the successor contractor's defined benefit plan would waive their rights to all UCRP benefits, except their existing CAP balances, if any.

The successor contractor must also offer a market-based retirement plan. Those eligible LLNL employees who opt to retain future rights to their accrued UCRP benefits by retiring or electing inactive membership in UCRP would participate in the successor contractor's market-based retirement plan. Additionally, any new employees hired by the successor contractor on or after the new contract effective date would participate in its market-based retirement plan.

The RFP states that LLNL employees who retire on or before the new contract effective date will not be eligible for a guaranteed job offer from the successor contractor and will be treated as new employees if hired. For purposes of employment offers from the successor contractor, LLNL employees who elect a Lump Sum Cashout under UCRP that will be effective on or before October 1, 2007 will be considered to have made a UC retirement election.

Under provisions of USERRA, employees on military leave generally are entitled to restoration of benefits that otherwise would have accrued during the period of military leave, provided they return to employment with the employer and make up any employee contributions that would have been required during that time. LLNL employees on military leave as of September 30, 2007, will not be able to return to UC employment at LLNL. Thus, UCRP must be amended to reflect the transition to the successor contractor and provide for the appropriate benefit accruals and service crediting under UCRP through September 30, 2007, for those LLNL veterans who return to employment with the successor contractor following a military leave.

UC intends to design and distribute a comprehensive decision guide to enable LLNL employees to make informed retirement decisions. The decisions that LLNL employees make with respect to their accrued UCRP benefits and employment with the successor contractor will directly affect the amount of liabilities and corresponding assets attributable to the LLNL segment of UCRP that will eventually be retained in or transferred out of UCRP.

UCRP assets and liabilities attributable to the benefits of LLNL employees who accept employment with the successor contractor and choose to participate in its defined benefit plan will be transferred when all necessary and appropriate regulatory approvals have been obtained, consistent with the terms of the current contract with the DOE/NNSA. The recommended amount of assets and liabilities to be transferred to the successor contractor's defined benefit plan will be determined through discussions with the DOE/NNSA, in consultation with internal and external legal counsel, UC actuaries, and faculty leadership. UC administration will come back to The Regents at a future date to discuss the methodology required by the current contract and to seek authority to transfer the final amount of assets and liabilities from UCRP to the successor contractor's defined benefit plan.

Interim Funding for Retiring Successor Contractor Employees

It is expected that a process will need to be established for funding reasonable expenses associated with administering the successor contractor's defined benefit plan and making payments on behalf of LLNL employees (or their eligible survivors) who become entitled to benefits under the successor contractor's defined benefit plan prior to the final transfer of assets and liabilities from UCRP. Under its current LLNL management contract with the DOE/NNSA, UC is required to transfer assets to the successor contractor's defined benefit plan at a rate sufficient to meet such cash flow requirements. Any funds dispensed from UCRP will be accounted for in the determination of the final amount of UCRP assets that will eventually be transferred.

Retention of CAP Benefits in UCRP

Guidance issued by the IRS indicates that there could be an issue raised by distributing CAP benefits remaining in UCRP if part of a member's UCRP benefits (e.g., the assets and liabilities supporting retirement income) are transferred to the successor contractor's defined benefit plan. In that instance, the member's break in service from UC may not be deemed sufficiently complete to permit a distribution of the CAP balance until the member terminates employment with the successor contractor. Current UCRP provisions provide that, upon a member's break in service from UC employment, the CAP benefit may remain in UCRP only if the member is vested, and therefore an inactive member of UCRP. If the member is not vested at the time of separation or elects to retire (or is approved for UCRP Disability), the CAP benefit must be distributed to the former employee or rolled over to an IRA or another employer's plan on his or her behalf. Thus, UCRP must be amended to make retention of CAP benefits mandatory for LLNL employees who elect to participate in the successor contractor's defined benefit plan until they terminate employment with the successor contractor.

Implementation

It is proposed that the Associate Vice President–Human Resources and Benefits, as Plan Administrator of UCRP, be delegated authority to amend UCRP as described above. If, in the course of obtaining the necessary and appropriate governmental rulings for the actions described above, it becomes necessary or desirable to make additional amendments to UCRP, the 415(m) Restoration Plan and/or the Retirement Savings Program plans to facilitate the LLNL contract closeout, interim action may be necessary. UC administration will come back to The Regents at a future meeting, following consultation with faculty leadership, the DOE/NNSA, internal and external legal counsel, and UC actuaries, to discuss the special actuarial valuation required and to request authority to transfer applicable assets and liabilities to the successor contractor's defined benefit plan. The Regents will continue to be updated concerning the LLNL contract close-out and any interim action.

The University will take appropriate action concerning proposed changes that may trigger notice, consultation, and meeting and conferring obligations under the Higher Education Employer-Employee Relations Act and UC policy.

Regent Parsky observed that there will need to be negotiations not just with the new LLC but also with the government, which needs to satisfy any of the obligations that are not met. He commented that the University's commitment to provide substantially equivalent benefits is important to Los Alamos employees. The percentage of those employees at Los Alamos who chose to transfer was very high because the plan was carefully thought through and the employees were adequately informed. The same approach is planned for the Lawrence Livermore laboratory.

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

19. **UPDATE ON POLICY REVIEW PROJECT FOR COMPENSATION AND RELATED POLICIES**

Executive Vice President Darling recalled that at the January meeting it had been announced that a review of Senior Management Group compensation policies and related policies was under way. Four areas are under review, beginning with the governance process for establishment of the policies and the assignment of responsibility for these policies between the Office of the President and the campuses. The second area is the redesign of the policies to align them more closely with The Regents' compensation policy as articulated during the past year. The third is to develop mechanisms to ensure proper monitoring, reporting, disclosure, compliance, and enforcement of the University's policies. The last area is to facilitate consistent policy compliance across the entire University.

Mr. Bob Miller, of Mercer Human Resource Consulting, reported that four work groups consisting of University and Mercer employees were established to undertake the review. Progress has been made in developing guiding principles that will be used to inform the policy-setting process and compensation for senior management personnel; the policies will be developed in the context of those guiding principles. A new approval matrix is being considered to define what the Regents will be involved in approving on an individual basis versus what they will be monitoring overall. Also being developed are decision authorities, a new form for indexing policies, and a policy template.

A governance team developed the guiding principles, which are drawn largely from existing Regents policies or Bylaws supplemented by policies specifically applicable to Senior

Management Compensation. Among the proposals will be to add a principle requiring that an employee must have his or her supervisor's approval in order to award a salary increase to a subordinate. The draft principles are undergoing internal review, following which they will be transmitted to the Academic Senate for its review. The consistent template has the same sections for each policy, showing who approves the policy, who issues it, when it will be reviewed next, and how an action may be approved outside policy guidelines. An infrastructure team is developing specifications for a web-based content management system. People within the University could search the system for what have been verified as the most current policies that deal with Senior Management Compensation and related policies.

A policy content team will write the policies. The team has inventoried 200 policies and identified 80 that are within the scope of the project. The 25 highest priority policies should be redrafted by mid-July.

In order to inform the broader review, site visits have been made to five University locations to observe how policies are implemented at the local level. A communication team has conducted interviews with some of the University's senior leadership to learn about their concerns. A longer-term communication strategy is being developed to inform employees about the work that has been done and how to use the new systems.

Mr. Miller reported that the next steps include completing the work on the deliverables mentioned. The governance and infrastructure work is scheduled to be completed at the end of July. The writing of policies and the communication about them are scheduled to go through the end of the year. A few of the most complex policies may take slightly longer.

The meeting adjourned at 3:40 p.m.

Attest:

Secretary and Chief of Staff