

The Regents of the University of California

**COMMITTEE ON COMPENSATION
COMMITTEE ON GOVERNANCE**

November 19, 2009

The Committees on Compensation and Governance met jointly on the above date at Covel Commons, Los Angeles campus.

Members present: Representing the Committee on Compensation: Regents Kozberg, Lozano, Pattiz, Stovitz, and Varner; Ex officio members Blum, Gould, and Yudof; Advisory members Hime and Powell
Representing the Committee on Governance: Regents Blum, Island, Kozberg, Lozano, and Varner

In attendance: Regents Bass, Bernal, De La Peña, Kieffer, Lansing, Makarechian, Marcus, Nunn Gorman, Reiss, Ruiz, and Zettel, Regents-designate Cheng and DeFreece, Faculty Representative Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Interim Provost Pitts, Executive Vice Presidents Darling and Taylor, Interim Executive Vice President Brostrom, Senior Vice President Dooley, Vice Presidents Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Fox, Kang, Katehi, White, and Yang, Interim Director Alivisatos, and Recording Secretary Johns

The meeting convened at 12:25 p.m. with Committee on Compensation Chair Varner presiding.

AMENDMENT OF BYLAW 12.8 AND STANDING ORDERS 100.2, 100.3, 101.1 AND 101.2 TO CONFORM WITH SENIOR MANAGEMENT GROUP COMPENSATION POLICIES AND OTHER REGENTAL ACTIONS REGARDING EXECUTIVE COMPENSATION

The President recommended that, following service of appropriate notice, Bylaw 12.8 and Standing Orders 100.2, 100.3, 101.1, and 101.2 be amended, as shown in Attachment 1 and Attachment 2. This Item itself constitutes the notice of proposed amendments that is required pursuant to Bylaw 30.1 and Standing Order 130.1. Final action to approve these amendments will be recommended at the January 2010 meeting.

In the event that the Regents take final action in January 2010 to approve both sets of amendments to Bylaw 12.8 and Standing Orders 100.2 and 100.3 proposed in this recommendation and the recommendation to the Committees on Compliance and Audit and Governance (*Amendment of Bylaw 12.8, Standing Orders 100.1, 100.2 and 100.3 and the Policies Entitled Charter of the Committee on Compliance and Audit, Statement of Expectations of the Members of the Board of Regents, Policy on the Associate of the President and the Associate of the Chancellor, and Principles for Review of Executive Compensation*), the

amendments to those sections proposed in this recommendation shall become effective with the additional amendments proposed to those sections in the recommendation to the Committees on Compliance and Audit and Governance.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

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

The meeting adjourned at 12:28 p.m.

Attest:

Secretary and Chief of Staff

Deletions shown by strikeout; additions by underscore

Bylaw 12.8 Committee on Compensation.

The Committee on Compensation shall:

- a. On an ongoing basis, advise the Board on all matters pertaining to the elements of compensation and benefits for University employees to ensure that compensation and benefits polices, procedures, programs, and practices are fair, effective, clear, comprehensible, transparent, and accountable, and inspire the trust of the University community and the public.
- b. Assess the University's progress in achieving the goals of obtaining, prioritizing, and directing funds to increase salaries to achieve market comparability for all groups of employees over periods established by the Board.
- c. Review and advise the Board on all matters relating to the implementation of ~~the Senior Leadership Compensation Policy, adopted by The Regents in November 2005~~ Senior Management Group compensation policies approved by The Regents, and other Regental policies or actions that require Regental authorization for employee compensation.
- d. Undertake actions as necessary to carry out 12.8(a), (b), and (c), including:
 - (1) Conduct regular studies to examine the competitiveness of the compensation for faculty and all categories of administrative employees relative to comparable institutions;
 - (2) Review the compensation of members of the Senior ~~Leadership Compensation~~ Management Group, and other employees which require Regental approval prior to review and approval by the Board;
 - (3) Review existing Regental policies on faculty and administrative employee compensation as well as the transparency of compensation practices and modify or establish new policies, as appropriate; and
 - (4) Review the annual reports on ~~senior management~~ senior management compensation for members of the Senior Management Group and for Deans and the annual reports on outside professional activities ~~by~~ for members of the Senior Management Group and for Deans~~senior managers.~~
- e. Act in an advisory capacity to the President of the University with respect to appointment compensation for such Officers of the University as may be appropriate for consideration by the Committee.
- f. Recommend to the Board:

(1) All compensation of Officers of the University and other members of the Senior Management Group, including those individuals serving in an acting capacity in those positions ~~the following Officers of the Corporation and Officers of the University: Principal Officers of The Regents and their chief deputies, , President of the University, Executive Vice Presidents, Senior Vice Presidents, Senior Vice Presidents, other Vice Presidents, University Auditor, Chancellors, Laboratory Directors and Directors of University hospitals; and~~

(2) The rates of compensation of Regents' Professors at salary rates above the approved range and the rates of compensation of University Professors at exceptional-above-scale salary rates. An exceptional-above-scale salary rate is defined as a salary rate that exceeds the maximum salary step of the applicable academic salary scale, as adjusted from time to time, by more than the percent difference between the maximum salary step of the Regular Ladder-Faculty Academic Year salary scale and the Indexed Compensation Level ~~compensation approval level~~. The Indexed Compensation Level ~~indexed compensation approval level~~ shall be ~~adjusted indexed~~ annually in accordance with the California Consumer Price Index (CPI) Urban Consumers for all items as determined by the Bureau of Labor Statistics Consumer Price Index, said percent increase to be reported annually to the Board.

(3) The rates of compensation of all other University personnel, including personnel holding staff positions in academic medical centers, except faculty other than Regents' Professors and University Professors, whose total cash compensation annual full-time salary rate exceeds the Indexed Compensation Level and who meet the criteria listed below. The Indexed Compensation Level for 2004-05 fiscal year is \$168,000 and thereafter shall be ~~adjusted indexed~~ annually in accordance with the California Consumer Price Index (CPI) Urban Consumers for all items as determined by the Bureau of Labor Statistics Consumer Price Index, said percent increase to be reported annually to the Board.

Board approval pursuant to this subsection shall only be required for employees that are in the following categories:

- (i) Other Specified Employees (OSE), as designated by the President, such as Athletic Directors and Coaches;
- (ii) Employees who directly report to the President;
- (iii) Employees who directly report to a Chancellor or to the Director of the Ernest Orlando Lawrence Berkeley National

Laboratory, when the compensation action requires an exception to policy; or

(iv) Employees who work at the Office of the President, when the compensation action requires an exception to policy.

Notwithstanding the above, employees exclusively subject to the provisions of the Academic Personnel Manual (APM) are not included in this Regental approval authority and instead are subject to all relevant APM approval requirements.

~~(4) Consider and act upon the rates of compensation of University personnel holding staff positions in academic medical centers whose annual full-time salary rate exceeds the Indexed Compensation Level of \$168,000 for 2004-05 fiscal year. The Indexed Compensation Level shall be indexed annually in accordance with the Consumer Price Index, said percent increase to be reported annually to the Board.~~

g. Consider and recommend to the Board on matters relating to academic and staff personnel policies and personnel programs and labor relations presented by the President of the University.

h.. Recommend to the Board on matters relating to professorial salary scales.

i. Consider and recommend to the Board on matters concerning employee welfare benefit programs, including reports and recommendations presented by the President of the University relating to retirement systems for University employees.

Deletions shown by ~~strikeout~~; additions by underscore

1. STANDING ORDER 100.2 Employment Status

(a) Appointment and dismissal of the President of the University shall be by an affirmative vote of not less than a majority of the members of the Board.

(b) Appointment or reemployment after retirement of all Officers of the University and other members of the Senior Management Group ~~the Executive Vice Presidents, Senior Vice President, other Vice Presidents, University Auditor, Chancellors, and Laboratory Directors~~ shall be voted by the Board upon recommendation of the President of the University following consultation with an appropriate Standing Committee of the Board, as determined by the President, or with a special committee established for that purpose. ~~Appointment of other Officers of the University shall be made by the President and reported annually to the Board.~~

(c) Action to demote or dismiss Chancellors, the Directors of the Ernest Orlando Lawrence Berkeley National Laboratory, ~~the Ernest Orlando Lawrence Livermore National Laboratory, the Los Alamos National Laboratory, the General Counsel and Vice President for Legal Affairs,~~ and the University Auditor shall be voted by the Board upon recommendation of or following consultation with the President of the University.

(d) Action to demote or dismiss other Officers of the University shall be taken by the President of the University upon recommendation of or following consultation with appropriate Officers and shall be reported to the Board.

(e) Temporary appointments ~~to~~ A of acting status in Officer of the University or other Senior Management Group positions shall be voted by the Board upon recommendation of the President of the University. ~~for periods not to exceed one year may be made by the President of the University. All such appointments shall be reported annually to the Board, provided, however, that appointments as Acting Chancellors and Acting Directors of the Ernest Orlando Lawrence Berkeley National Laboratory, the Ernest Orlando Lawrence Livermore National Laboratory, and the Los Alamos National Laboratory shall be made by the President only when such appointments are necessary to meet emergency situations and shall be subject to confirmation by the Board at its next regular meeting.~~

(f) Minor changes in titles of Officers of the University and other members of the Senior Management Group may be approved by the President of the University. Any such changes shall be reported ~~annually~~ to the Board in the Bi-Monthly Transaction Monitoring Report.

(g) ~~Mutually agreeable changes in the effective date of appointments of Officers of the University may be approved by the President of the University. Any such changes shall be reported annually to the Board.~~

2. STANDING ORDER 100.3 Compensation

(a) Compensation of the President of the University shall be determined by the Board upon recommendation of the Committee on Compensation.

(b) Compensation of all Officers of the University and other members of the Senior Management Group, including those individuals serving in an acting capacity, and the Executive Vice Presidents, Senior Vice Presidents, other Vice Presidents, University Auditor, Chancellors, and Laboratory Directors, including compensation upon appointment and subsequent changes in compensation, shall be determined by the Board upon recommendation of the President of the University through the Committee on Compensation. ~~Compensation of other Officers of the University with annual salary rates below \$168,000 shall be determined by the President and reported annually to the Board. The compensation approval level shall be indexed annually in accordance with the Consumer Price Index, said percent increase to be reported annually to the Board.~~

~~(c) Compensation of Officers of the University positions in Acting status appointed pursuant to the provisions of Standing Order 100.2(e) shall be determined by the President of the University. Any such compensation shall be reported annually to the Board, with the exception of compensation for Acting Chancellors and Acting Directors of the Ernest Orlando Lawrence Berkeley National Laboratory, the Ernest Orlando Lawrence Livermore National Laboratory, and the Los Alamos National Laboratory, which shall be made by the President only when such appointments are necessary to meet emergency situations and shall be subject to confirmation by the Board at its next regular meeting.~~

~~(d) Mutually agreeable changes in percent of time to be served by Officers of the University may be approved by the President of the University with commensurate adjustment in compensation. Any such changes shall be reported annually to the Board.~~

~~(e) Mutually agreeable changes in the effective date of appointment of Officers of the University may be approved by the President of the University with commensurate adjustment in compensation. Any such changes shall be reported annually to the Board.~~

3. STANDING ORDER 101.1 Employment Status

(a) Appointments of Regents' Professors and University Professors shall be voted by the Board upon recommendation of the President of the University, following consultation with the Committee on Educational Policy.

(b) Dismissal of an academic appointee who holds tenure or security of employment shall be voted by the Board upon recommendation of the President of the University, following consultation with the appropriate Chancellor. Prior to recommending dismissal, the Chancellor shall consult with the appropriate advisory committee(s) of the Division of the Academic Senate.

(c) Appointments, promotions, demotions, and dismissals of all faculty members and other employees, except as otherwise provided in the Bylaws and Standing Orders, shall be under the jurisdiction of the President of the University, and of the Secretary and Chief of Staff, Chief Investment Officer, and General Counsel of The Regents in their respective areas of responsibility.

(d) No political test shall ever be considered in the appointment and promotion of any faculty member or employee.

(e) Re-employment appointments of retired University employees to any position whose annualized base salary plus any other cash compensation in the rehire position meets or exceeds the Indexed Compensation Level shall be shall be voted by the Board upon recommendation of the President of the University.

4. STANDING ORDER 101.2 Compensation

(a) Rate of compensation and subsequent changes in rate of compensation shall be determined by the Board upon recommendation of the President of the University or upon recommendation of the Secretary and Chief of Staff, Chief Investment Officer, or General Counsel of The Regents in their respective areas of responsibility through the Committee on Compensation for:

(1) All members of the Senior Management Group.

(24) A Regents' Professor at a salary rate above the approved range, and a University Professor at an exceptional-above-scale salary rate. An exceptional-above-scale salary rate is defined as a salary rate that exceeds the maximum salary step of the applicable academic salary scale, as adjusted from time to time, by more than the percent difference between the maximum salary step of the Regular Ladder-Faculty Academic Year salary scale and the Indexed Compensation Level compensation approval level. The Indexed Compensation Level compensation approval level is defined as the dollar limit on the President's authority to approve salaries (\$168,000). The compensation approval level shall be indexed adjusted annually in accordance with the California Consumer Price Index (CPI) Urban Consumers for all items as determined by the Bureau of Labor Statistics Consumer Price Index, said percent increase to be reported annually to the Board;

(32) Other University personnel, except faculty other than Regents' Professors and University Professors, whose total cash compensation exceeds the Indexed Compensation Limit (ICL), and who meet the criteria listed below. annual salary rate is \$168,000 or more. The compensation approval level The Indexed Compensation Level shall be adjusted indexed annually in accordance with the California Consumer Price Index (CPI) Urban Consumers for all items as determined by the Bureau of Labor Statistics California Consumer Price Index, said percent increase to be reported annually to the Board.

Board approval pursuant to this subsection shall only be required for employees that are in the following categories:

(i) Other Specified Employees (OSE), as designated by the President, such as Athletic Directors and Coaches;

(ii) Employees who directly report to the President;

(iii) Employees who directly report to a Chancellor or to the Director of the Ernest Orlando Lawrence Berkeley National Laboratory, when the compensation action requires an exception to policy; or

(iv) Employees who work at the Office of the President, when the compensation action requires an exception to policy.

Notwithstanding the above, employees exclusively subject to the provisions of the Academic Personnel Manual (APM) are not included in this Regental approval authority and instead are subject to all relevant APM approval requirements.

~~(b) Mutually agreeable changes in the effective date of appointment of and in percent of time to be served by those enumerated in (a) above may be approved by the President of the University and by the Secretary and Chief of Staff, Chief Investment Officer, or General Counsel of The Regents in their respective areas of responsibility with commensurate adjustment in compensation based on the salary rates approved by The Regents. Any such changes shall be reported annually to the Board.~~

(c) Compensation of other employees except as otherwise provided in the Bylaws and Standing Orders of The Regents shall be under the jurisdiction of the President of the University and of the Secretary and Chief of Staff, Chief Investment Officer, and General Counsel of The Regents in their respective areas of responsibility.