The Regents of the University of California met on the above date at UCSF–Mission Bay Community Center, San Francisco.


In attendance: Regents-designate Hallett, Mireles, and Pelliccioni, Faculty Representatives Powell and Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice Presidents Brostrom and Taylor, Senior Vice President Stobo, Vice Presidents Beckwith, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary Johns

The meeting convened at 11:45 a.m. with Chairman Gould presiding.

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

   Upon motion duly made and seconded, the minutes of the meeting of May 20 and the meetings of the Committee of the Whole of May 19 and 20, 2010 were approved.

2. **REPORT OF THE PRESIDENT**

   President Yudof presented his report concerning University activities and individuals. The previous week, the Governor and California First Lady Maria Shriver announced the 2010 inductees to the California Museum’s California Hall of Fame. UC Davis professor emeritus Wayne Thiebaud was among those honored. Professor Thiebaud is known the world over for his paintings executed in a Pop Art style. The California Hall of Fame recognizes legendary Californians who have influenced the state, the nation, and the world.

   Two UC Santa Barbara faculty members, professor of chemistry and biochemistry Craig Hawker and professor of geography Michael Goodchild, have been elected to Britain’s prestigious Royal Society. They are among only seven scholars from U.S. universities elected this year. The Royal Society is the oldest scientific academy in the world; its fellows are elected for life.

   Jerry Nelson, professor of astronomy and astrophysics at UC Santa Cruz, will share the $1 million Kavli Prize in astrophysics with two other researchers for their innovations in the field of telescope design. Professor Nelson has received international acclaim for the development of groundbreaking designs for advanced telescopes. The biennial Kavli
Prize recognizes outstanding scientific research, honors highly creative scientists, promotes public understanding of scientists and their work, and encourages international scientific cooperation.

Professor David Julius of the UC San Francisco Department of Physiology has been selected to receive the 2010 Shaw Prize in life sciences and medicine. Professor Julius will receive the $1 million prize for his seminal discoveries of molecular mechanisms by which the skin senses painful stimuli and temperature and produces pain hypersensitivity.

[The report 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.]

3. REPORT OF THE COMMITTEE ON COMPLIANCE AND AUDIT

Regent Ruiz presented the following from the Committee’s meeting of July 15, 2010:

A. Annual Report on Internal Audit Plan for 2010-11

The Committee reported its approval of the Annual Report on Internal Audit Plan for 2010-2011.

B. Ethics and Compliance Plan for 2010-11

The Committee reported its approval of the Ethics and Compliance Plan for 2010-11.

Upon motion of Regent Ruiz, duly seconded, the report of the Committee on Compliance and Audit was accepted.

4. REPORT OF THE COMMITTEE ON COMPENSATION

The Committee presented the following from its meeting of July 15, 2010:

A. Proposed Governance Policy for Incentive Programs for Senior Management Group Members

Background to Recommendation

Beginning in January 2009, the Board of Regents set forth a series of restrictions on Senior Management Group (SMG) salaries as well as restrictions on certain incentive plans, culminating with the Regents adopting recommendations that, among other actions, deferred consideration of non-clinical incentive payments for the 2007-2008 and 2008-2009 performance years until the end of fiscal year 2009-2010 as an important additional measure to respond to the ongoing State financial crisis.
In further response to these actions, the President directed the Department of Human Resources at the Office of the President to undertake a review of all incentive plans for staff members at the campuses, Office of the President, and the medical centers for the purpose of aligning the framework, guidelines, accountability, and oversight. These reviews have led to an initiative to establish a consistent and rigorous process to review and amend the University’s incentive award programs, bringing consistent standards, accountability and oversight to the design, goal-setting, and administration of all variable pay plans for staff members regardless of funding source or level of staff participation.

This action item proposes an incentive awards policy applicable to Senior Management Group members (Attachment 1), which incorporates the governance framework presented to the Regents for discussion in March 2010. This proposed policy was submitted to the Regents for discussion in June 2010. The Department of Human Resources is also reviewing non-SMG staff policies and will recommend revisions for approval by the President to reflect the new governance framework.

**Recommendation**

The Committee recommended approval of the proposed Policy on Senior Management Group Incentive Awards effective July 1, 2010, as shown in Attachment 1.

**B. Revisions to Treasurer’s Annual Incentive Plan and Clinical Enterprise Management Recognition Plan**

**Background to Recommendation**

Seeking efficiency and oversight for what can be an easily misconstrued compensation practice, the President directed the Department of Human Resources at the Office of the President to conduct a full review of all incentive plans now in place across the system – on campuses, at medical centers and within the Office of the President. The purpose of the review was to determine whether the plans were effective, fair and in full alignment with UC policy and best industry practices, and also to recommend how they might be better designed and monitored going forward. In general, the University does not provide incentive plans. In those instances where market forces or standard industry practices require their implementation, the plans have proven to be a valuable management tool for driving performance toward strategic goals and retaining key personnel in competitive fields. Properly calibrated incentive plans put a percentage of an employee’s cash compensation at risk – only to be recovered by meeting specific performance targets. While some plans are applied to top levels of management, others are spread to a broader spectrum of employees. This is especially true in the medical centers, where thousands of represented employees participate.
This item provides a forum to discuss the review findings as well as specific recommendations it generated. A key proposal calls for a new, independent governance structure – an Administrative Oversight Committee (AOC) for every incentive plan. This body of subject matter experts and top management staff at the Office of the President will oversee the design and regularly audit the execution of all incentive plans across the University system, making sure they are fairly applied and properly tailored to stretch performance toward goals that are relevant to the University mission. Moreover, it is proposed that all plans going forward must seek and receive the highest levels of approval, either by the President or the Regents, before they can be implemented. In addition, it is proposed that no plan can be altered in any material way without review by the AOC and final approval by the President or Regents. The goal is not only to make sure these plans are as effective as possible, but also to bring full transparency and accountability to this selectively offered but strategically valuable compensation practice.

These proposed plan documents were presented in June for discussion and are now being presented to the Regents for action. The Department of Human Resources is also reviewing non-Senior Management Group staff plans and policies and will recommend revisions for approval by the President that are consistent with the new governance framework.

**Market Competitive Total Cash Compensation**

In order to maintain the level of excellence for which UC is noted, as well as to recruit and retain top faculty and administrators, the University of California’s compensation strategy is targeted at the average of the market, with the market defined as those labor markets in which the University competes for talent. In some cases, total targeted cash compensation may be comprised completely of base salary. If, however, an incentive program is deemed the most viable compensation method, the program shall be devised to provide an incentive in addition to base salary, awarded upon performance against stated objectives. Incentive plans provide the opportunity (not guarantee) for participants to receive a set amount (or portion thereof) of an award based on how they meet or exceed stated objectives that elevate their performance above the norm. The incentive pay is at risk, meaning that, if the participant fails to achieve objectives, he/she would receive only a partial award or no award at all, depending on actual performance. Likewise, if the participant exceeds all expectations, the participant could receive an award up to a stated maximum award level that is greater than the stated target award.

**Recommendation**

The Committee recommended approval of the plan amendments contained in the plan documents for the Treasurer’s Annual Incentive Plan (Attachment 2) and the Clinical Enterprise Management Recognition Plan (Attachment 3).
C. Amendments to Principles for Review of Executive Compensation and Other Actions on Regents Policies Related to Executive Compensation

Background to Recommendation

These policy changes are required in order to bring the Regents policies related to executive compensation into conformance with more recent Regents actions in this area, to eliminate policies that are outdated and superseded by policy or practice, and to codify the definition of total compensation adopted by the Regents in 2007.

These policies are part of the overall framework of policies related to executive compensation at the University that continues to be reviewed and revised in response to the findings of the April 2006 report of the Task Force on UC Compensation, Accountability and Transparency. While the Bylaws and Standing Orders of The Regents have already been amended to reflect current practice, and a number of new Senior Management Group policies have been adopted by the Regents, the process of reviewing and recommending action on older Regents policies in this area is ongoing.

Recommendation

The Committee recommended:


2. The adoption of the Regents Policy on the Definition of Total Compensation, as shown in Attachment 5.


4. The rescission of the following Regents policies, as shown in Attachments 7 through 11: Policy on Special Benefits for the Executive Program, Compensation for Staff and Management Employees, Executive Program Severance Pay Plan, Salary Setting for the Executive Program, and Special Supplemental Retirement Program.

Upon motion of Regent Varner, duly seconded, the recommendations of the Committee on Compensation were approved, with Regent Maldonado voting “no.”
5. REPORT OF THE COMMITTEE ON FINANCE

The Committee presented the following from its meeting of July 14, 2010:

A. Adoption of Resolution Regarding Administrative Efficiencies

The Committee recommended that the following resolution be adopted:

WHEREAS, the University is committed to achieving a level of administrative excellence equivalent to that of its teaching and research enterprises, and

WHEREAS, realization of this objective will require investment in and implementation of significant administrative efficiency measures at the campus, medical center, regional, and systemwide levels, and

WHEREAS, extensive efficiency measures have already been implemented at each of these levels, and new efficiency measures at each of these levels continue to develop, and

WHEREAS, the Regents believe efficiency measures must be continually advanced, executed, and expanded to enable the University to build a sustainable financial model to carry the University forward, and

WHEREAS, the Regents consider shared services and administrative commonality requirements for reaching the efficiency objective, and

WHEREAS, the Regents expect the Office of the President to exercise leadership in the realization of the efficiency objective by effectively supporting and engaging campuses and medical centers towards full commitment to the objective, and

WHEREAS, successful implementation of administrative efficiencies will allow the University to redirect hundreds of millions of dollars annually from administrative costs to core academic and research missions over the next five years, be it therefore

RESOLVED that the Regents direct the President, in consultation with a small committee of campus representatives, to, where appropriate, design and implement common best-practice administrative systems, including but not limited to student information systems, financial systems, human resources systems, payroll systems, and their underlying technology support systems, and

RESOLVED that the Regents direct the President to approve all new or substantially revised campus administrative systems, particularly those contemplated as part of a broader system migration, to ensure commonality and best practices across all locations, and
RESOLVED that the Regents direct the President to support exceptions to adoption of common best-practice systems only upon compelling evidence that such systems would result in materially higher costs and/or materially less functionality to the campus, and

RESOLVED that the Regents direct the President to periodically report to the Regents on the progress of these initiatives.

B. Approval of Fiscal Year 2010-11 CapEquip Financing Authorizations

The Committee recommended that:

(1) The fiscal year 2010-11 CapEquip authorizations shown in Attachment 12 be approved as one-year authorizations expiring June 30, 2011.

(2) The President be authorized to approve and obtain external financing for the CapEquip program in an amount not to exceed $204,220,000.

(3) The general credit of the Regents not be pledged.

(4) The President be authorized to execute all documents necessary in connection with the above.

C. Authorization to Indemnify Construction Review Board Hearing Officers

The Committee recommended that the President, or his designee, in consultation with the General Counsel, be authorized to defend and indemnify independent contractors acting as University of California Construction Review Board Hearing Officers for conduct within the scope of their duties.

Upon motion of Regent Lozano, duly seconded, the recommendations of the Committee on Finance were approved.

6. REPORT OF THE COMMITTEE ON GOVERNANCE

The Committee recommended the following from its meeting of July 15, 2010:

A. Proposed Revisions to the Schedule of Reports to the Regents

The Committee recommended that the Schedule of Reports be amended, as shown in Attachment 13.
B. **Maintenance and Rescission of Certain Regents Policies**

The Committee recommended that, as part of routine maintenance of Regents policies, the following eight policies of the Regents be rescinded, as shown in Attachments 14 through 21:

- Policy on Commemorative Displays
- Policy on Regents Relations To Fair Employment Practices Act
- Policy on Retention of Outside Consultants
- Policy on Appointment of Chairman
- Policy on Competitive Bidding
- Resolution Granting Authority to the Officers of the Regents to Execute Contracts or Accept Grants from Extramural Sponsors
- Policy on Nondiscrimination by Student Organizations and in Approved Student Housing
- Policy on Implementation of the Uniform Management of Institutional Funds Act

Upon motion of Regent Lozano, duly seconded, the recommendations of the Committee on Governance were approved.

7. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**

The Committee presented the following from its meeting of July 13, 2010:

A. **Certification of Environmental Impact Report, Adoption of Findings, and Approval of Design, UCSD Medical Center East Campus Bed Tower, San Diego Campus**

Upon review and consideration of the environmental consequences of the proposed project, the Committee reported its:

2. Adoption of the Mitigation Monitoring and Reporting Program for the project.
3. Adoption of the revised Findings and Overriding Considerations.
4. Approval of the design of the East Campus Bed Tower Project, including the Bed Tower, Thornton Hospital Renovation, and Central Plant.
5. Adoption of modifications to the Mitigation Monitoring Program for the 2004 LRDP, San Diego campus.
The Mitigation Monitoring and Reporting Program, and Findings and Overriding Considerations were mailed to Committee members in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

B. Approval of the Budget for Capital Improvements and the Capital Improvement Program, Approval of External Financing, Adoption of Mitigated Negative Declaration, and Approval of Design, Bioengineering Building, Santa Barbara Campus

(1) The Committee recommended that:

a. The 2009-10 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Santa Barbara: Bioengineering Building – preliminary plans – $1,600,000 to be funded from campus funds.

To: Santa Barbara: Bioengineering Building – preliminary plans, working drawings, construction, and equipment – $72,884,000, to be funded from State funds ($25,000,000), external financing ($43,374,000), and campus funds ($4,510,000).

b. The scope of the proposed Bioengineering Building project shall include approximately 46,200 assignable square feet, which is anticipated to accommodate a basement vivarium and three floors of research laboratories, laboratory support, and core facilities, including an auditorium, conference, office and administrative support spaces.

c. The President be authorized to obtain external financing not to exceed $43,374,000 to finance the Bioengineering Building project. The Santa Barbara campus shall satisfy the following requirements:

i. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

ii. Repayment of debt shall be from the General Revenues of the Santa Barbara campus and as long as the debt is outstanding, the General Revenues of the Santa Barbara campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

iii. The general credit of the Regents shall not be pledged.
d. The President be authorized to execute all documents necessary in connection with the above.

(2) Upon review and consideration of the environmental consequences of the proposed project, the Committee reported its:

a. Adoption of the Mitigated Negative Declaration.

b. Amendment of the 1990 Long Range Development Plan to transfer 7,691 assignable square feet from Potential Building Site 7 to Potential Building Site 16.

c. Approval of the design of the Bioengineering Building, Santa Barbara campus.

[The Mitigated Negative Declaration was mailed to Committee members in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

C. *Certification of Environmental Impact Report and Approval of Design of the Seismic Life Safety Modernization, and Replacement of General Purpose Laboratory Building, Phase 2 (Seismic Phase 2) Project, Lawrence Berkeley National Laboratory*

Upon review and consideration of the environmental consequences of the proposed project, the Committee reported its:

(1) Certification of the Environmental Impact Report (EIR).

(2) Adoption of modifications to the Mitigation Monitoring Program for the Lawrence Berkeley National Laboratory 2006 Long Range Development Plan EIR.

(3) Adoption of the Findings.

(4) Approval of the design of the Seismic Phase 2 Project, which includes the following components:

a. General Purpose Laboratory.

b. Building 85 Slope Stabilization.

[The Environmental Impact Report, Mitigation Monitoring Program, and Findings were mailed to Committee members in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Upon motion of Regent Schilling, duly seconded, the recommendation of the Committee on Grounds and Buildings was approved.

8. REPORT OF THE COMMITTEES ON FINANCE AND COMPENSATION

The Committees presented the following from their meeting of July 14, 2010:

Revisions and Modifications of Program Policies for University of California Mortgage Origination Program and Supplemental Home Loan Program

The Committee on Finance recommended that the Regents approve the revisions and modifications to the Mortgage Origination Program policies as detailed in Attachment 22 and the Supplemental Home Loan Program policies as detailed in Attachment 23.

Upon motion of Regent Lozano, duly seconded, the recommendation of the Committee on Finance was approved.

9. REPORT OF INTERIM ACTIONS

Secretary and Chief of Staff Griffiths reported that, in accordance with authority previously delegated by the Regents, interim action was taken on routine or emergency matters as follows:

A. The Chairman of the Board, the Chair of the Committee on Grounds and Buildings, and the President of the University approved the following recommendation:

Approval of the Budget for Capital Improvements and the Capital Improvement Program, Central Research Services Facility, San Diego Campus

Pursuant to Standing Order 100.4(q):

(1) The President, subject to concurrence of the Chair of the Board and the Chairman of the Committee on Grounds and Buildings, amended the 2009-10 Budget for Capital Improvements and the Capital Improvement Program to add:

San Diego: Central Research Services Facility – budget for preliminary plans, working drawings, construction, and equipment – $14,981,000 to be funded from grant funds ($14,286,000) and campus funds ($695,000).
(2) The above amendment to the 2009-2010 Budget for Capital Improvements and the Capital Improvement Program is for a proposed project scope that includes the construction of a new central research services building of approximately 9,830 assignable square feet (ASF), and renovation of approximately 3,100 ASF of existing space in the Cellular and Molecular Medicine West building.

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

(1) Interim Re-slotting and Retention Increase for Brian Schottlaender, University Librarian, San Diego Campus

Background to Recommendation

Brian Schottlaender, University Librarian (UL), at the San Diego campus, was recently chosen to receive the American Library Association’s 2010 Melvil Dewey Medal Award for his many accomplishments during a long and distinguished career in major research libraries. The award noted his excellence as a principal investigator in major research projects, as a leader in the profession and as a prolific presenter and author. He was also recently appointed to the Executive Committee of Hathi Trust, a major collaboration of the nation’s largest academic libraries, to create a vast digital repository. At the San Diego campus, he manages an operating budget of over $33 million and is responsible for seven libraries with a total assigned square footage of 428,206. The library collections’ estimated value based on Risk Management’s Unit Values for Insurance is $657,531,906. In addition, Mr. Schottlaender manages the UCSD campus web site, requiring him to play a greater role in internet-related activities than at most campuses.

As a highly respected librarian whose capabilities are well known nationally, Mr. Schottlaender had been actively recruited and was a finalist for the University Librarian position at Yale University. The campus believed it was vital to retain Mr. Schottlaender and therefore made this urgent request to provide a salary increase as an incentive to remain in his current position.

There was strong support at Yale for his candidacy where the salary potentially could be $300,000 or greater, based on Mr. Schottlaender’s expertise and the salary of the previous incumbent. The former incumbent at Yale was also provided an interest-free home loan and free health care, and it is the campus’ understanding that Mr. Schottlaender would be offered the same. Allowing the recruitment of Mr. Schottlaender to proceed at Yale was not in the best interest of the San Diego campus. His interview at Yale was scheduled in May.
Mr. Schottlaender’s performance as UL continues to be outstanding, as confirmed by a very positive five-year review of his performance in 2009. Retaining him was believed to be critical to the long-range goals of the UCSD Libraries. The consensus on the San Diego campus is that Mr. Schottlaender is a remarkable individual with the special talents and qualities needed to ensure that the UCSD library system ranks among the world’s best libraries in the twenty-first century. His commitment to communication, diversity, and fundraising is essential to the success of UCSD’s library system.

Based on an assessment of competitive market data and comparisons to other similar positions internally, the campus requested interim re-slotting from Senior Leadership Compensation Group (SLCG) Grade 106 to 108 and a 15 percent salary increase of $31,200 for a new base salary of $239,200. Mr. Schottlaender agreed not to proceed with the Yale recruitment pending the outcome of this request. The requested salary of $239,200 – which would be reduced by nine percent to $217,672 during participation in the salary reduction and furlough plan – was the minimum acceptable salary to retain him at UCSD.

Based on market data and internal UC comparisons, the San Diego campus requested that the UCSD librarian position be slotted at SLCG Grade 108 on an interim basis, pending the establishment of the new position evaluation system. UCSD’s library size (volumes added, expenditures, and staff numbers) and ranking warrant the re-slotting to SLCG Grade 108.

The requested salary of $239,200 is 2.3 percent below the midpoint of the proposed SLCG Grade 108 range ($244,900); 10.5 percent below the market median ($267,150) as taken from College and University Professional Association (CUPA) Administrative Compensation Survey; 0.4 percent below the average salary of others assigned to SLCG Grade 108 at the San Diego campus; and 22.5 percent above the average salary of other UC University Librarians. This position is funded 100 percent from UC General Funds provided by the State.

Recommendation

The following items were approved in connection with the retention increase and interim re-slotting for Brian Schottlaender, University Librarian, at the San Diego campus:

a. Per policy, a retention salary increase of $31,200 for a new annual base salary of $239,200. This represents a 15 percent increase over Mr. Schottlaender’s current base salary of $208,000.
b. Per policy, this position is subject to the Regents’ approved
furlough/salary reduction plan effective September 1, 2009 through
August 31, 2010, with a nine percent salary reduction.

c. Interim re-slotting of the position to SLCG Grade 108 (Minimum
$192,300, Midpoint $244,900, Maximum $297,400).

d. The above actions to be effective June 1, 2010.

**Recommended Compensation**

**Effective Date:** June 1, 2010  
**Base Salary:** $239,200  
**Grade Level:** SLCG Grade 108:  
Minimum $192,300, Midpoint $244,900, Maximum $297,400  
**Median Market Data:** $267,150  
**Funding Source:** UC General Funds  
**Percentage Difference from Market:** 10.5 percent below

**Prior Compensation**

**Base Salary:** $208,000  
**Grade Level:** SLCG Grade 106  
**Funding Source:** UC General Funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and
  standard senior management benefits (including senior
  management life insurance and executive salary continuation for
  disability).
- Per policy, a five percent monthly contribution to the Senior
  Management Supplemental Benefit Program.
- Per policy, continued participation 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. Compensation recommendations
and final actions will be released to the public as required in accordance
with the standard procedures of the Board of Regents.

Submitted by: UCSD Chancellor Fox  
Reviewed by: President Yudof  
Compensation Committee Chair Varner  
Office of the President, Human Resources
Retention Increase for Cathy A. Sandeen as Dean – Continuing Education and University Extension, Los Angeles Campus

Background to Recommendation

Through publications, major presentations and grants, Cathy A. Sandeen, Dean for Continuing Education and University Extension, Los Angeles campus, is a highly visible, professional leader within the area of continuing education. In the past year, the campus leadership has added duties of a significant nature to Dean Sandeen’s responsibilities. These include oversight of the Regional Advisory Board and Campus Advisory Board of UCLA TV and leadership and coordination for UCLA’s Downtown Los Angeles Satellite Office, which includes the Campus Downtown Council, the Downtown Leadership Roundtable, and the Osher Lifelong Learning Institute at UCLA. In addition to providing service to diverse clients, UCLA Extension expanded its reach through these actions, providing more than 60 additional classes in downtown Los Angeles in August 2008.

Effective January 1, 2009, the reporting relationship of the Continuing Education of the Bar (CEB) was moved from the UC Office of the President to the Dean for Continuing Education and University Extension, Los Angeles campus, significantly increasing Dean Sandeen’s responsibilities and increasing the overall operating budget by over one-third; no additional remuneration was provided for these new responsibilities at the time.

Dean Sandeen was among the finalists under consideration for a college presidency on the East Coast, and her retention at UCLA was a key strategic objective.

A salary increase of 15 percent ($27,800) was proposed. This salary increase brought Dean Sandeen’s salary from $185,600 to $213,400, effective June 1, 2010. In addition to supporting the objective of retaining Dean Sandeen’s fine leadership, this request also reflected significant additions to her responsibilities over the past two years for which she has received no remuneration, and leadership expectations commensurate with one of the nation’s top providers of continuing education.

Last year, the Graziadio School of Business at Pepperdine University estimated that the UCLA Extension contributes $250 million annually to the local economy, not including intangibles such as the creation of a stronger, more educated workforce. With an enrollment of nearly 90,000 students and an annual operating budget of approximately $70 million, UCLA’s Continuing Education and University Extension
program is the largest of these UC programs and one of the nation’s largest and most comprehensive providers of continuing education.

The requested base salary of $213,400 is 9.32 percent above the SLCG Grade 106 midpoint ($195,200); 6.7 percent above the average base salary of UCLA SLCG Grade 106 comparators; and approximately 19.47 percent above the aged median market base salary ($178,629) of deans for continuing education as taken from the College and University Professional Association (CUPA) Administrative Compensation Survey. In addition to reflecting that UCLA’s Extension program is one of the nation’s largest and most comprehensive providers of adult education, the base salary increase proposed reflects that the scope of Dean Sandeen’s position is significantly larger than typical deans for continuing education. For example, prior to assuming responsibility for the University of California’s Continuing Education of the Bar (CEB), UCLA’s University Extension had an annual budget of $43 million and approximately 290 staff FTE. Assumption of responsibilities in January 2009 for CEB added 190 FTE (34 percent) and an additional $24 million (44 percent) operating budget to Dean Sandeen’s purview at that time; currently the Dean is responsible overall for a $69 million operating budget and 435 FTE. Within the UC system, the UCLA operating budget and number of FTE managed are more than twice the size of comparator positions and reflect the breadth of program offerings. The UCLA University Extension program had an enrollment of over 75,000 in 2008-09.

Recommendation

The following items were approved in connection with the salary increase for Cathy A. Sandeen, Dean – Continuing Education and University Extension, Los Angeles campus:

a. Per policy, salary adjustment of 15 percent to $213,400, SLCG Grade 106 (Minimum $154,200, Midpoint $195,200, Maximum $236,100). This represents a 15 percent increase over Ms. Sandeen’s current base salary of $185,600.

b. Per policy, this position is subject to the Regents’ approved furlough/salary reduction plan effective September 1, 2009 through August 31, 2010, with a ten percent salary reduction.

c. The above actions to be effective June 1, 2010.

**Recommended Compensation**

**Effective Date:** June 1, 2010  
**Base Salary:** $213,400  
**Total Cash Compensation:** $213,400
Grade Level: SLGC Grade 106:
Minimum $154,200, Midpoint $195,200, Maximum $236,100
Median Market Data: $178,629
Percentage Difference from Market: 19.47 percent
Funding Source: University Extension operating funds

Prior Compensation
Base Salary: $185,600
Grade Level: SLCG Grade 106
Funding Source: University Extension operating funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, continued participation 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 and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: UCLA Chancellor Block
Reviewed by: President Yudof
Compensation Committee Chair Varner
Office of the President, Human Resources

10. REPORT OF COMMUNICATIONS RECEIVED

Secretary and Chief of Staff Griffiths reported that, in accordance with Bylaw 16.9, Regents received a summary of communications in reports dated June 1 and July 1, 2010.
11. REPORT OF MATERIALS MAILED BETWEEN MEETINGS

Secretary and Chief of Staff Griffiths reported that, on the dates indicated, the following were sent to the Regents or to Committees:

To Members of the Committee on Compensation

A. From the President, Bi-Monthly Transaction Monitoring Report for Deans who have transferred from the Senior Management Group (SMG) Program to Academic Titles. (May 26, 2010)

To Members of the Committee on Educational Policy

B. From the President, Quarterly Report on Private Support; Quarterly Report on Major Donors; and Quarterly Report on Endowed Chairs and Namings approved by the President. (May 24, 2010)

To the Regents of the University of California

C. From the President, letter and report by Dean Edley on recommendations concerning campus climate at UCSD. (May 7, 2010)

D. From the President, letter and University Committee on Planning and Budget white paper on issues facing the University during the fiscal crisis. (May 7, 2010)

E. From the President, letter and statement by the Chairman, Vice Chair, and President on divestment from companies doing business in Israel. (May 7, 2010)

F. From the President, letter and update on activities of the Division of External Relations at the Office of the President. (May 10, 2010)

G. From the President, letter and report on the fee levels for self-supporting professional degree programs approved for 2010-11. (May 14, 2010)

H. From the President, letter and enclosure concerning the 2010-11 State budget proposal and advocacy opportunities. (May 17, 2010)


J. From the President, copy of Wall Street Journal article entitled, “University of California Plans to Slash Spending.” (May 18, 2010)
K. From the President, letter and paper by the Academic Council Vice Chair entitled, “An Explanatory Glossary of Post Employment Benefits and Design Options for Discussion Within the Academic Senate.” (May 21, 2010)

L. From the President, letter and narrative summary of systemwide employee payroll information for calendar year 2009. (May 24, 2010)

M. From the President, copy of the May 24, 2010 Los Angeles Times editorial. (May 25, 2010)

N. From the Secretary and Chief of Staff, report of communications received subsequent to the May 3, 2010 report of communications. (June 1, 2010)

O. From the President, letter concerning a one-day strike by the California Nurses Association. (June 2, 2010)

P. From the President, letter regarding Global Green USA honoring UC with its Millennium Award. (June 3, 2010)

Q. From the President, letter concerning UC’s State funding and correspondence to the Conference Committee on the Budget. (June 7, 2010)

R. From the President, letter and UC-issued statement concerning the court order barring a California Nurses Association strike, (June 9, 2010)

S. From the President, letter and report on the fee levels for self-supporting professional degree programs approved for 2010-11, including an additional self-supporting program at the Santa Cruz campus. (June 11, 2010)

T. From the Chair of the Committee on Oversight of the Department of Energy Laboratories, letter and annual reports on the activities of Lawrence Livermore National Security, LLC and Los Alamos National Security, LLC. (June 15, 2010)

U. From the President, letter and enclosed correspondence from the Associate Chancellor of UC Irvine to the Vice President of Student Affairs concerning the Muslim Student Union at UC Irvine. (June 15, 2010)

V. From the President, letter and invitation concerning the memorial service for former UCLA basketball coach John Wooden. (June 15, 2010)

W. From the President, press release regarding the UC Advisory Council on Campus Climate, Culture, and Inclusion. (June 16, 2010)

X. From the President, letter and attachment updating on deliberations by the Conference Committee on the UC budget. (June 17, 2010)
12. **UNFINISHED BUSINESS**

*Amendment of Bylaw 20 – Officers of the Corporation*

At the March 25, 2010 meeting of the Regents of the University of California, Committee on Governance Chair Wachter served notice that at the next regular meeting an amendment of Bylaw 20 would be moved as shown below. It was the intent of the Committee on Governance that the full Board adopt the item approved by the Committee exactly as it appeared before the Committee. However, through a clerical error, one part of the approved language was dropped from the recommendation presented to the Board. Accordingly, the University is re-submitting to assure the proper process has been followed.

**Additions shown by underscoring; deletions shown by strikethrough**

**BYLAW 20.**

**OFFICERS OF THE CORPORATION**

20.1 **Designation—Identity and Qualifications.**

The Officers of the Corporation shall be the President of the Board (who shall be the Governor of the State); the Chairman; the Vice Chairman; and the following, who shall collectively be known collectively as the Principal Officers of the Regents: the Secretary and Chief of Staff, the Chief Investment Officer and Vice President for Investments (who also serves as an Officer of the University), the General Counsel and Vice President for Legal Affairs (who also serves as an Officer of the University), and the Senior Vice President – Chief Compliance and Audit Officer (who also serves as an Officer of the University); and such deputies, associates and assistants of the foregoing Principal Officers as they may from time to time designate in their respective areas of responsibility as Officers of the Corporation. The Officers of the Corporation shall also include such deputies, associates and assistants of the Principal Officers as are designated Officers of the Corporation by the Principal Officers in their respective areas of responsibility pursuant to Bylaw 20.2. The President shall be the Governor of the State. The President, Chairman, and Vice Chairman shall be members of the Board, but membership on the Board shall not be a necessary qualification for other Officers. Any Officer, other than the President, Chairman, and Vice Chairman, may hold as many offices as the Board shall determine.

20.2 **Election or Designation, and Removal.**

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

Each Principal Officer shall have the authority to designate or remove as an Officer of the Corporation any deputy, associate and/or assistant in his or her area of responsibility, including any deputy, associate and/or assistant previously designated or appointed an Officer of the Corporation by the Board or a Principal Officer under previous Bylaw provisions.

Upon motion of Regent Lozano, duly seconded, the recommendation was approved.

The meeting adjourned at 11:50 a.m.

Attest:

Secretary and Chief of Staff
Senior Management Group
Incentive Awards

Responsible Officer:  Vice President–Human Resources
Responsible Office:  Human Resources
Effective Date:  July 1, 2010
Next Review Date:  The responsible officer will review the policy annually for update purposes, and will conduct a full review at least every three years.
Who is Covered:  All employees whose position is designated to be in the Senior Management Group, inclusive of officers of the University per Regents Standing Order 100.1.a.

CONTENTS

I. Policy Summary
II. Policy Definitions
III. Policy Text
IV. Approval Authority
V. Compliance
Revision History
Implementation Procedures
I. POLICY SUMMARY

This policy provides direction and authority for the development and approval of incentive award plans that include Senior Management Group (SMG) participants. Incentive awards are intended to motivate individuals or teams to produce results that have been pre-defined and communicated to the participants in advance in accordance with an incentive award plan, and to reward them for achieving the stated performance objectives. Plan performance objectives should require participants to stretch their performance beyond their normal duties and responsibilities so that the incentive award plan rewards exemplary performance.

II. POLICY DEFINITIONS

Exception to Policy: An action that exceeds what is allowable under current policy or that is not expressly provided for under any policy. Any such action must be treated as an exception and must be reviewed and approved by the Regents.

Executive Officer: The University President, Chancellor, or Laboratory Director.

Plan Document: A document that provides specific detail and definitions governing the administration of the incentive award plan, including, but not limited to, defining the eligible population, the plan year, the award opportunity levels, the criteria for establishing the annual performance objectives for each participant, and the methodology for calculating award payouts.

Top Business Officer: Executive Vice President–Business Operations for the Office of the President, Vice Chancellor for Administration, or the position responsible for the location’s financial reporting and payroll as designated by the Executive Officer.

III. POLICY TEXT

A. Plan Document

Incentive award plans must be documented and approved prior to implementation and communication. An incentive award program Plan Document must be approved by the Regents if SMG members are included as eligible program participants. Incentive or bonus award plans that do not have SMG participants are subject to the President’s approval.

The Plan Document defines the key terms, conditions and design elements of the incentive award plan. The Plan Document will include the following elements:

- Plan purpose
- Governance and oversight responsibilities
• The process for plan approval and for making changes to the plan
• The plan year (performance measurement period)
• Eligibility criteria
• Award opportunity levels (e.g., threshold, target and maximum), when appropriate
• The criteria for establishing the annual performance objectives for each participant and, when appropriate, the weightings to be given performance objectives
• Funding and award formulas, if applicable
• The protocol for the review and approval of awards, as well as the schedule for award payouts
• Any contingencies and administrative rules governing payouts, including any mechanism for the deferral of award payouts

Incentive awards are at risk, meaning that whether they will be paid depends on the plan participant’s achievement of predetermined objectives. Awards must be variable and directly correlate to each plan participant’s actual accomplishment of stated performance objectives. Award amounts should be appropriate for the level of each participant’s performance and contribution. Incentive awards are not a means of providing additional pay for performing normal duties and responsibilities, as described in the participants’ respective job descriptions. Nor are they meant to be a replacement or substitute for a merit, promotion, equity, or retention increase as described in the Senior Management Group Salary and Appointment Policy.

B. Plan Review and Approval

Independent Administrative Oversight Committees (AOCs), comprised of senior executives and subject matter experts, will be established to oversee the creation and annual review of each incentive award plan. Incentive award plans that include SMG participants are first subject to the review and approval of the President. After the President approves such plans, the Chair of the Regents’ Committee on Compensation may consult with other Chairs of the applicable Regents’ Committees, as appropriate, prior to presentation to the full Board for approval. Once such a plan has been approved by the Board, the applicable AOC will be responsible for its administration. The Chief Audit and Compliance Officer will assure that periodic auditing and monitoring will occur, as appropriate.

Once approved by the Regents, an incentive award plan will be implemented each year upon the approval of the AOC if the plan is being implemented without changes. If a plan with SMG participants has been approved as outlined above, and the AOC recommends substantive or material changes to the plan, the applicable AOC will obtain the approval of the President and the Regents’ Committee on Compensation and other Committees, as appropriate, before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay
implementing substantive or material plan changes until after the end of the current plan year. However, if changes are implemented during the plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the plan year. Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President, the Chair of the Regents' Committee on Compensation and the Chairs of other applicable Regents' Committees, as appropriate, and will then be implemented by the AOC at an appropriate time. The Regents will receive reports of all changes to the plans.

All incentive award plans will be reviewed annually by the applicable AOC, generally in the spring, but dependent upon the appropriate review/plan cycle so that new or revised plans are in effect at the commencement of the applicable plan year, which will be the performance measurement period.

C. Plan Administration

Each SMG member who participates in an approved incentive award plan will receive an annual Terms and Conditions document that (a) identifies the participant's individual performance objectives, (b) defines performance standards to be used to determine the level of performance achieved for each objective, and (c) when appropriate, assigns performance weightings to the participant's objectives.

The AOC will review and approve plan participants' performance objectives prior to the start of the plan year. The AOC will also review and approve all proposed awards. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of Plan participants' objectives and award recommendations. Any award for an employee who reports directly to the Regents or who holds one of the executive offices identified in section 92032(b)(7)(B)(i) of the California Education Code will also require the approval of the Regents. The AOC will provide the Chair of the Regents' Committee on Compensation with a listing of award recommendations before awards are scheduled to be paid.

D. Funding Sources

Funding for awards may be provided by University-wide program sources and/or by local resources.

E. Treatment for Benefit Purposes

Cash awards under this policy are not considered to be compensation for University benefit purposes, such as the University of California Retirement Plan or employee life insurance programs.

F. Tax Treatment and Reporting

Under Internal Revenue Service Regulations (IRS), payment of such cash awards must be included in the employee’s income as wages subject to withholding for federal and state income taxes and applicable FICA taxes. The payment is reportable on the employee’s Form W-2 in the year paid.
Any payments to SMG members under this policy will be reported annually to the President and the Regents with appropriate detail, such as the range of awards and the percentage and amount of the award granted for each plan participant.

G. Conditions

Incentive award plans may be terminated or replaced at any time for any reason upon the recommendation of the President and with the approval of the Regents. Reasonable efforts, given all circumstances, will be made to delay plan termination until after the current plan year has concluded.

The President, in consultation with the Chair of the Board of Regents and other Chairs of the applicable Regents’ Committees, may defer payments from an incentive award plan for reasons specified in the applicable plan document. Once the contingency has been resolved, awards deferred for that reason will be processed as soon as possible thereafter.

A participant who has been found to have violated state or federal law or to have committed a serious violation of University policy will not be eligible for an award under an incentive award plan.

The University may require repayment of an incentive award that was made as a result of inappropriate circumstances.

The University does not allow any guaranteed awards of any level or of any nature under any incentive award plan. Plan participation in any one year does not provide any right or guarantee of eligibility or participation in any subsequent year. Participants in an incentive award plan may not participate in any other University incentive award plan or bonus plan, except in the event of a mid-year transfer within the University. Specifically, if a plan participant is eligible for only a partial year award under a plan because a mid-year transfer of position renders him or her eligible for plan participation for only a portion of the plan year, he or she may participate in a different University plan for the other portion of the plan year. Concurrent participation in more than one plan is not permitted.

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

The Vice President–Human Resources is the Responsible Officer for this policy and has the authority to implement the policy. The Responsible Officer may apply appropriate interpretations to clarify policy provided that the interpretations do not result in substantive changes to the underlying policy.

B. Revisions to the Policy

The Regents is the Policy Approver for this policy and has the authority to approve any policy revisions upon recommendation by the President.
The Vice President–Human Resources has the authority to initiate revisions to the policy, consistent with approval authorities and applicable Bylaws and Standing Orders of the Regents.

The Executive Vice President–Business Operations has the authority to ensure that policies are regularly reviewed and updated, and are consistent with University governance policies.

C. Approval of Actions

Authority to approve incentive award plans and individual incentive awards is described in Section III.B and III.C of this policy.

All actions that exceed this policy or that are not expressly provided for under any policy must be approved by the Regents.

V. COMPLIANCE

A. Compliance with the Policy

The following roles are designated at each location to implement compliance monitoring responsibility for this policy:

The Top Business Officer and/or the Executive Officer at each location will designate the local office to be responsible for the ongoing reporting of policy compliance, including collecting information regarding all relevant compensation package activity and creating specified regular compliance reports for review by the location’s Top Business Officer.

The Top Business Officer establishes procedures to collect and report information, reviews the specified regular compliance reports for accuracy and completeness, reviews policy exceptions and/or anomalies to ensure appropriate approval has been obtained, and submits a copy of the compliance report to the Executive Officer for signature.

The Executive Officer is accountable for monitoring and enforcing compliance mechanisms, ensuring monitoring procedures are in place, approving the specified regular compliance reports, and sending notice of final approval for the reports to the Senior Management Compensation Office, Top Business Officer, and Local Resources.

The Vice President–Human Resources is accountable for reviewing the administration of this policy. The Senior Vice President–Chief Compliance and Audit Officer will periodically audit and monitor compliance with these policies, and results will be reported to senior management and the Regents.

B. Noncompliance with the Policy

Noncompliance with the policy is handled in accordance with the Regents' Guidelines for Corrective Actions Related to Compensation Practices and Guidelines

Noncompliance is reported in the monthly compliance report from each location as approved by the Executive Officer and reviewed by the Senior Vice President–Chief Compliance and Audit Officer and the Regents at each Regents’ meeting.

REVISION HISTORY

As a result of the issuance of this policy, the following policy is no longer applicable for SMG members:

- Personnel Policies for Staff Members 34 (Incentive Awards), dated July 1, 1996

IMPLEMENTATION PROCEDURES

The Responsible Officer may develop procedures or other supplementary information to support the implementation of this policy. Such supporting documentation does not require approval by the Regents.
The University of California  
Office of the Treasurer  
Annual Incentive Plan (AIP)  
For Plan Year July 1, 2010 through June 30, 2011

**Plan Purpose**
Under the authority granted by The Board of Regents, the purpose of the University of California Office of the Treasurer Annual Incentive Plan (“Plan”) is to provide the opportunity for at risk variable financial incentives to those employees responsible for attaining or exceeding key objectives in the Treasurer’s Office which are consistent with University investment objectives. The Plan provides participants with an opportunity to receive an annual non-base building cash incentive based on the performance of the University’s investment portfolio, the assets and sectors/functional groups managed by the individual participant, and the individual participant’s performance. The incentive award is earned based on the achievement of specific financial, non-financial, and strategic objectives relative to the mission and goals of the Treasurer’s Office and the performance of the investment portfolio. The Plan focuses participants on maximizing returns in excess of stated performance benchmarks for all funds managed while assuming appropriate levels of risk. It is intended to support teamwork so that members of the Treasurer’s Office operate as a cohesive group.

**Plan Year**
The Plan year will correspond to the University’s fiscal year, beginning July 1 of each year and ending the following June 30.

**Plan Oversight**
Development, governance and interpretation of the Plan will be overseen by an independent Administrative Oversight Committee (AOC) comprised as follows:

- Executive Vice President – Business Operations
- Executive Vice President and Chief Financial Officer
- The Vice President – Human Resources
- The Executive Director – Compensation Programs and Strategy

The AOC, in its deliberations pertaining to the development or revision of the Plan, will consult with the Chief Investment Officer (CIO) or other key members of the CIO’s staff. The AOC will abide by the Political Reform Act, which would prohibit Plan participants, such as the CIO and other members of the CIO’s staff, from making, participating in making, or influencing decisions that would affect whether they participate in the Plan, the objectives that will govern whether they earn awards under the Plan, and the amount of awards paid to them under the Plan. The Office of General Counsel will be consulted if there are any questions about the application of the Political Reform Act in this context. The Chief Audit and Compliance Officer will assure that periodic auditing and monitoring will occur, as appropriate.
**Plan Approval**
The Plan will be subject to an annual review conducted by the AOC to address design issues and market alignment. Once approved by the Regents, the Plan will be implemented each year upon the approval of the AOC if no changes to the Plan are being recommended. If the AOC recommends any substantive or material changes to the Plan, including, but not limited to, changes in the award opportunity levels, the AOC will obtain the approval of the President and the Regents’ Committees on Compensation and Investments before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material Plan changes until after the current Plan year has ended. However, if changes are implemented during the Plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the Plan year. Moreover, no changes will affect awards earned by Plan participants for performance in prior Plan years. Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and the Chairs of the Regents’ Committees on Compensation and Investments and will then be implemented by the AOC at an appropriate time. The Regents will receive reports of all changes to the Plan.

**Plan Eligibility**
Eligible participants include senior management, professional investment and trading staff and other key positions in the Treasurer’s Office as recommended by the CIO and subject to approval by the AOC. Eligibility is reviewed annually by the CIO and is subject to approval by the AOC, prior to the beginning of the Plan year. A participant who has been found to have violated state or federal law or to have committed a serious violation of University policy will not be eligible for an award under the Plan.

Participants in the Plan are not eligible to receive an award under any other University of California incentive program, except in the event of a mid-year transfer within the University. Specifically, if a Plan participant is eligible for only a partial year award under this Plan because a mid-year transfer of position renders him or her eligible for Plan participation for only a portion of the Plan year, he or she may participate in a different University plan for the other portion of the Plan year. Concurrent participation in this Plan and another University plan is not permitted.

Prior to the beginning of the Plan year, the AOC will provide the President and the Chairs of the Regents’ Committees on Compensation and Investments with a list of Plan participants for that Plan year, including appropriate detail regarding each Plan participant.

Plan participation in any one year does not provide any right or guarantee of eligibility or participation in any subsequent year of the Plan.

Continuing participants must be full-time employees of the University of California Office of the Treasurer at the end of the Plan year (i.e., on June 30) to be eligible to receive an award for that Plan year. Eligible employees who are appointed after the start of the Plan year must have an employment start date no later than January 15, to be eligible to receive an award for that Plan year. Newly hired participants will receive a prorated award in the first year based on the actual
salary received during the Plan year. Participants who were not working for a significant portion of the Plan year may receive a prorated award. For the purpose of this Plan leave of absence status will be determined by applicable University policies governing such leaves.

**Termination Provisions**

Participants must remain actively employed by the University of California at the end of each Plan year in order to receive previously deferred payments of a determined award. Participants who voluntarily separate or who are involuntarily terminated for cause from employment with the University of California will forfeit any previously deferred award amount and any associated interest that has not yet been paid as of the date of separation from University employment.

Participants who retire, become totally disabled, or involuntarily separate (due to reorganization or restructuring) are eligible to receive a prorated incentive award for the current Plan year and a lump sum payment for the deferred portion(s) of approved awards from prior years that have not yet been paid (as explained in the Payout Determination provision below) and associated interest, based on the date of separation of employment from the University. For the purpose of this Plan retirement and total disability status will be determined by applicable University policies. Lump sum payments as described above will be issued as soon as practicable following the date of separation. In order to determine the most accurate award for the current Plan year, prorated payments will be calculated at the end of the Plan year and issued in accordance with the normal processing schedule.

Involuntary separation for any other reason will be handled on a case by case basis.

Participants whose employment terminates as a result of death are similarly eligible to receive a prorated incentive award for the current Plan year and a lump sum payment for the deferred portion(s) of approved awards from prior years that have not yet been paid (as explained in the Payout Determination provision below) and associated interest, based on the date of death. In this situation, lump sum award payments will be made to the estate of the deceased participant as soon as practicable following the date of death. In order to determine the most accurate award for the current Plan year, prorated payments will be calculated at the end of the Plan year and issued to the estate of the deceased participant in accordance with the normal processing schedule.

**Incentive Award Opportunity Levels**

Plan participants are assigned award levels that serve to motivate individual, group and total entity performance as part of a competitive total cash compensation package. Participants are eligible to receive an incentive award, expressed as a percentage of their salary, which corresponds to predetermined target levels of performance. Actual incentive award levels may be greater or less than the target opportunity level, depending on performance relative to policy portfolio benchmarks and individual contribution. Award opportunity levels by position are as follows:
<table>
<thead>
<tr>
<th>Position</th>
<th>Threshold Opportunity (as % of Salary)</th>
<th>Target Opportunity (as % of Salary)</th>
<th>Maximum Opportunity (as % of Salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Investment Officer (CIO)</td>
<td>50%</td>
<td>100%</td>
<td>165%</td>
</tr>
<tr>
<td>Senior Managing Director &amp; Associate CIO</td>
<td>30%</td>
<td>60%</td>
<td>120%</td>
</tr>
<tr>
<td>Managing Director, Director, &amp; Sr. Portfolio Manager</td>
<td>22.5%</td>
<td>45%</td>
<td>90%</td>
</tr>
<tr>
<td>Investment Officer</td>
<td>17.5%</td>
<td>35%</td>
<td>70%</td>
</tr>
<tr>
<td>Analysts &amp; Jr. Portfolio Manager</td>
<td>10%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Other Participants</td>
<td>10%</td>
<td>20%</td>
<td>25%</td>
</tr>
</tbody>
</table>

**Performance Objectives**

Annual investment performance objectives will be reviewed by the Executive Director – Compensation Programs and Strategy in consultation with the CIO and an independent investment consultant. The investment performance objectives will be reviewed and approved by the AOC in consultation with the CIO, the President, and Chairs of the Regents’ Committees on Compensation and Investment prior to the beginning of the Plan year. Attachment A of this Plan Document contains the investment performance objectives approved by the AOC for the current Plan year.

Individual/Qualitative performance objectives for each Plan participant other than the CIO will be defined by his/her supervisor. These objectives will be subject to endorsement by the CIO and approval by the AOC in consultation with the President and Chairs of the Regents’ Committees on Compensation and Investments prior to the beginning of the Plan year. The individual performance objectives of the CIO will be approved annually by the President and Chairs of the Regents’ Committees on Compensation and Investments, in consultation with the AOC, prior to the beginning of the Plan year. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of Plan participants’ objectives.

Performance objectives for each Plan participant must include both the Entity Performance and Individual/Qualitative Performance categories listed below. Asset Class Performance and Sector/Functional Group Performance objectives are incorporated for participants as appropriate. The supervisor of each Plan participant will provide him/her with an annual Terms and Conditions document that (a) identifies the participant’s individual performance objectives applicable to the Plan, (b) defines the performance standards and metrics that will be used to measure threshold, target, and maximum performance for each objective, and (c) assigns performance weightings to the participant’s objectives.

Below are the four Performance Objective categories for the Plan:

1. Entity Performance (e.g., total investment portfolio performance)
2. Asset Class Performance (e.g., US equity, international equity, private equity, bonds & STIP)
3. Sector/Functional Group Performance (e.g., government, credit, etc.)
4. Individual/Qualitative Performance
Individual/Qualitative Performance objectives may be established in, but not limited to, the following areas:
- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources

**Performance Standards**
Each performance objective will include standards of performance defined as follows:
- **Threshold Performance**: This level represents satisfactory results, but less than full achievement of performance objectives.
- **Target Performance**: This level represents full achievement of all performance expectations.
- **Maximum Performance**: This level represents results which clearly exceed expectations.

See the table in Attachment A for more detail on specific investment performance metrics.

**Performance Measures and Weightings**
A Plan participant’s performance against assigned qualitative goals will be assessed by the CIO in consultation with the participant’s supervisor, if the immediate supervisor is not the CIO.

Investment performance of both the University portfolios and the market indexes is measured using a three-year rolling average. This method provides for longer term focus on and accountability for sustainable performance results. Investment returns in a given year, whether positive or negative, affect the average, and thus the payout, over three separate Plan years. The lowest value of any award in a given year will be zero.

Individual awards are determined based on achievement of performance objectives relative to policy portfolio benchmarks and individual contribution, and in accordance with the payout curve established for each performance objective. Performance measures for participants in their third full Plan year or later are weighted as displayed in the table below.

<table>
<thead>
<tr>
<th>Position</th>
<th>Weighting for Entity Performance Objectives</th>
<th>Weighting for Asset Class and Sector/Functional Group Performance Objectives</th>
<th>Weighting for Individual/Qualitative Performance Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Investment Officer</td>
<td>80%</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>Associate CIO</td>
<td>65%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Senior Managing Director (Risk Mgmt)</td>
<td>80%</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>Senior Managing Director (Asset Class)</td>
<td>40%</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>Managing Director</td>
<td>40%</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>Director</td>
<td>30%</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>Senior Portfolio Manager</td>
<td>30%</td>
<td>60%</td>
<td>10%</td>
</tr>
</tbody>
</table>
In recognition of a participant’s limited ability to affect attainment of goals in the Plan during the first two years of service, the following adjustments are made in the Weighting table for participants in their first three Plan years.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Weighting for Quantitative Performance Objectives (Entity, Asset Class, Sector/Functional Group)</th>
<th>Weighting for Individual/Qualitative Performance Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>First partial year</td>
<td>20% / 1 year performance</td>
<td>80%</td>
</tr>
<tr>
<td>Year 1</td>
<td>30% / 1 year performance</td>
<td>70%</td>
</tr>
<tr>
<td>Year 2</td>
<td>50% / 2 years performance</td>
<td>50%</td>
</tr>
</tbody>
</table>

For the new employee, the relevant investment returns achieved during the transition period (up to 18 months) may be excluded from the three year rolling average.

In special cases, such as for a new participant charged with the restructuring of an entire asset class or strategy, the above weights may be modified at the recommendation of the CIO, subject to approval by the AOC. In such a case, the participant will be required to meet specific objectives which contribute to long-term performance.

The phase-in of new asset classes will be handled in a similar way, that is, performance for the first year of a new asset class will be based on a single year’s return; performance for the second year of the class will be based on the first two years’ returns. See the Administrative Guidelines for more details of specific circumstances.

**Payout Determination**

Annual incentive awards will be payable in cash, subject to appropriate taxes and pursuant to normal University payroll procedures. The participant’s total salary (including base salary, stipends, vacation pay, and sick pay, but excluding prior year incentive award payouts and disability pay) paid as of the end of the Plan year (i.e., on June 30) will be used in the calculation of the award payout. The current position held by the participant at the end of the Plan year will determine the award opportunity level in the calculation. For participants at or above the Investment Officer level (as reflected in the charts above), awards are payable in three annual payments comprised of 50 percent paid in the current Plan year, 25 percent paid in the next year and 25 percent paid in the year thereafter. Award payments will be made as soon as practicable following the end of the Plan year. The deferred portion of the award earns interest based on the Short-Term Investment Pool (STIP) rate of return. Payments of the deferred portions of awards are generally issued during the fall of each year. Accrued awards for participants on approved leave of absence will be paid according to the normal schedule. Awards for participants below

<table>
<thead>
<tr>
<th>Investment Officer, Asset Class</th>
<th>20%</th>
<th>70%</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Officer, Risk Management</td>
<td>70%</td>
<td>0%</td>
<td>30%</td>
</tr>
<tr>
<td>Risk Management Analyst</td>
<td>70%</td>
<td>0%</td>
<td>30%</td>
</tr>
<tr>
<td>Jr. Portfolio Manager; Jr. / Sr. Analyst</td>
<td>10%</td>
<td>70%</td>
<td>20%</td>
</tr>
<tr>
<td>Other Participants</td>
<td>20%</td>
<td>0%</td>
<td>80%</td>
</tr>
</tbody>
</table>
the Investment Officer level (as reflected in the charts above) are payable in one lump sum; there is no deferral of any portion of their awards.

A polynomial payout curve is used to determine actual award payouts for performance levels between threshold and maximum and relative to Entity, Asset Class, and Sector/Functional Group performance objectives. The chart below shows an example of the polynomial payout curve for the US Equity asset class. In this example, the Threshold is 15 bp, the Target is 75 bp, and the Maximum is 150 bp.

The primary advantage of the polynomial curve is that it supports the achievement of consistent and sustained performance over the longer term by encouraging participants to achieve target level or higher performance.

**Extraordinary Market Environments**
In periods of unusual market and economic stress, when the entity experiences negative investment returns, regardless of the entity’s relative performance, the portion of the current Plan year awards that would normally be paid at the end of the current Plan year may be deferred. If this deferral mechanism is invoked, awards will be reviewed and approved in the usual manner. But, in conjunction with that review and approval process, deferral will be recommended by the AOC and then approved by the President and the Chairs of the Regents’ Committees on Compensation and Investments. In such a case, the portion of the current Plan year awards that have been deferred will earn interest at the STIP rate. The portion of the current Plan year awards that have been deferred will be processed and distributed as soon as possible. However, in no event will they be deferred longer than one year.

**Plan Administration**
The Plan will be administered by the Executive Director – Compensation Programs and Strategy consistent with the specific design parameters approved by the President and the Regents. The Plan features and provisions outlined in this document shall supersede any other Plan summary.
Except as set forth below, all award amounts will be reviewed by and require the approval of the AOC in consultation with the President and Chairs of the Regents’ Committees on Compensation and Investments. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of proposed awards. Evaluation of the CIO will be conducted by the Chair of the Regents’ Committee on Compensation with input from the President and the Chair of the Regents’ Committee on Investments. Any incentive award for the CIO, the Assistant Treasurer, or any other Plan participant who holds one of the executive offices identified in section 92032(b)(7)(B)(i) of the California Education Code will require the approval of the Board in addition to the AOC.

The AOC must convene to review all recommended awards within 60 days of the fiscal year-end. Payouts to individuals of approved awards must be made within 90 days of the fiscal year-end unless the provision above regarding Extraordinary Market Environments applies.

Award amounts for Plan participants in the Senior Management Group will be reported annually to the Regents by the Executive Director – Compensation Programs and Strategy. The reports will contain appropriate levels of detail, such as the range of awards and the percentage and amount of the award granted for each Plan participant.

This Plan may be terminated or replaced at any time for any reason upon the recommendation of the President, in consultation with the Chairs of the Regents’ Committees on Compensation and Investments, and with the approval of the Regents. Reasonable efforts, given all circumstances, will be made to delay Plan termination until after the current Plan year has concluded. However, if the Plan is terminated during the Plan year, awards for the current year will still be processed based on participants’ performance during the portion of the Plan year prior to termination. Moreover, such termination will not affect awards earned by Plan participants for performance in prior Plan years.

The University may require repayment of an award that that was made as a result of inappropriate circumstances.
## Treasurer’s Office Annual Incentive Plan (AIP)

### Performance Objectives for FY 2010-11\(^{(1)}\)

<table>
<thead>
<tr>
<th>ENTITY</th>
<th>Benchmark</th>
<th>Threshold</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEP, UCRP, UCRSP(^{(2)}), STIP &amp; TRIP</td>
<td>Asset Weighted Policy Benchmark</td>
<td>5 bp</td>
<td>33 bp</td>
<td>72 bp</td>
</tr>
<tr>
<td><strong>ASSET CLASS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PUBLIC EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined Equity</td>
<td>Asset Weighted Policy Benchmark (Equity)</td>
<td>15 bp</td>
<td>80 bp</td>
<td>170 bp</td>
</tr>
<tr>
<td><strong>FIXED INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined Fixed Income</td>
<td>Asset Weighted Policy Benchmark (Fixed Income)</td>
<td>5 bp</td>
<td>40 bp</td>
<td>80 bp</td>
</tr>
<tr>
<td><strong>PRIVATE EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Equity - Asset Class</td>
<td>Venture Economics Vintage Year Indexes</td>
<td>50 bp</td>
<td>100 bp</td>
<td>200 bp</td>
</tr>
<tr>
<td><strong>ABSOLUTE RETURN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute Return</td>
<td>50% HFRX AR Index + 50% HFRX MD Index</td>
<td>35 bp</td>
<td>200 bp</td>
<td>375 bp</td>
</tr>
<tr>
<td><strong>INCOME FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICC Fund</td>
<td>US 5-year Treasury Notes Income Return</td>
<td>5 bp</td>
<td>30 bp</td>
<td>60 bp</td>
</tr>
<tr>
<td>Short Term Investment Pool (STIP)</td>
<td>US 2-year Treasury Notes Income Return</td>
<td>5 bp</td>
<td>30 bp</td>
<td>60 bp</td>
</tr>
<tr>
<td>Savings Fund</td>
<td>US 2-year Treasury Notes Income Return</td>
<td>5 bp</td>
<td>30 bp</td>
<td>60 bp</td>
</tr>
<tr>
<td><strong>SECTOR:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FIXED INCOME GOVERNMENT SECTOR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Inflation Protected Securities</td>
<td>Barclays Capital US TIPS Index</td>
<td>5 bp</td>
<td>12 bp</td>
<td>24 bp</td>
</tr>
<tr>
<td>Gov't Sponsored - UCRP / GEP / TRIP / UCRSP</td>
<td>Gov't Sponsored Sector of Barclays Aggregate</td>
<td>5 bp</td>
<td>30 bp</td>
<td>60 bp</td>
</tr>
<tr>
<td><strong>FIXED INCOME COLLATERAL SECTOR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collateral - UCRP / GEP / TRIP / UCRSP</td>
<td>Collateral Sector of Barclays Aggregate</td>
<td>5 bp</td>
<td>25 bp</td>
<td>50 bp</td>
</tr>
<tr>
<td><strong>FIXED INCOME CREDIT SECTOR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit - UCRP / GEP / TRIP / UCRSP</td>
<td>Credit Sector of Barclays Aggregate</td>
<td>5 bp</td>
<td>30 bp</td>
<td>60 bp</td>
</tr>
<tr>
<td>High Yield Bonds - UCRP / GEP / TRIP</td>
<td>ML High Yield Cash Pay Index</td>
<td>12 bp</td>
<td>65 bp</td>
<td>130 bp</td>
</tr>
<tr>
<td>Emerging Market Debt - UCRP / GEP</td>
<td>JP Morgan Emg Market Bond Index Plus</td>
<td>25 bp</td>
<td>125 bp</td>
<td>250 bp</td>
</tr>
<tr>
<td><strong>REAL ESTATE SECTOR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global REITS</td>
<td>50% FTSE/NAREIT Global ex US Index + 50% FTSE/NAREIT US Index</td>
<td>25 bp</td>
<td>125 bp</td>
<td>250 bp</td>
</tr>
<tr>
<td>Open End Funds - Core</td>
<td>NFI-ODCE Index</td>
<td>5 bp</td>
<td>35 bp</td>
<td>70 bp</td>
</tr>
<tr>
<td>Open End Funds - Value Add</td>
<td>NFI-ODCE Index</td>
<td>25 bp</td>
<td>100 bp</td>
<td>200 bp</td>
</tr>
<tr>
<td><strong>REFERENCE -- USED IN WEIGHTED PUBLIC EQUITY AND FIXED INCOME CALCULATIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Equity - UCRP / GEP</td>
<td>Russell 3000 Tobacco-Free Index</td>
<td>15 bp</td>
<td>75 bp</td>
<td>150 bp</td>
</tr>
<tr>
<td>Developed Non US Equity - UCRP / GEP</td>
<td>MSCI World ex US Net Tobacco Free Index</td>
<td>18 bp</td>
<td>100 bp</td>
<td>200 bp</td>
</tr>
<tr>
<td>Emerging Markets Equity - UCRP / GEP</td>
<td>MSCI Emerging Markets Free Net Index</td>
<td>25 bp</td>
<td>125 bp</td>
<td>250 bp</td>
</tr>
<tr>
<td>Bonds - UCRP / GEP</td>
<td>Barclays Aggregate</td>
<td>5 bp</td>
<td>30 bp</td>
<td>60 bp</td>
</tr>
<tr>
<td>CD &amp; Obligations</td>
<td>Barclays Aggregate</td>
<td>5 bp</td>
<td>30 bp</td>
<td>60 bp</td>
</tr>
<tr>
<td><strong>COFI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1: Excess performance targets refer to 1, 2, or 3 year investment results as appropriate; all performance objectives are based on total return, net of all management fees
2: UC Retirement Savings Plan = 403(b), 457, and Defined Contribution plan options managed by Treasurer

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### Real Estate and Private Equity

These asset classes are not marked to market and their performance is meaningfully measured only over a long period using Internal Rates of Return (IRRs), not the time-weighted returns of marketable assets. Thus, special procedures have been implemented to fairly measure their performance and award those responsible for managing the assets. See the Administrative Guidelines for these detailed procedures.
The University of California
Clinical Enterprise Management Recognition Plan (CEMRP)
For Plan Year July 1, 2010 through June 30, 2011

Plan Purpose
The purpose of the University of California Clinical Enterprise Management Recognition Plan (“Plan”) is to provide the opportunity for at risk variable financial incentives to those employees responsible for attaining or exceeding key Clinical Enterprise objectives. Achievement is measured based on specific financial and/or non-financial objectives, e.g. quality of care or patient safety, and strategic objectives which relate to the Clinical Enterprise’s mission.

The Plan encourages the teamwork required to meet challenging organizational goals. The Plan also uses individual performance objectives to encourage participants to maximize their personal effort and to demonstrate individual excellence.

Plan Oversight
Development, governance and interpretation of the Plan will be overseen by an independent Administrative Oversight Committee (AOC) comprised as follows:

- Executive Vice President – Business Operations
- The Chancellor of every campus with a medical center
- The Vice President – Human Resources
- The Executive Director – Compensation Programs and Strategy

The AOC, in its deliberations pertaining to the development or revision of the Plan, will consult with the Senior Vice President – Health Sciences and Services, and representatives from the medical centers comprised of a Chief Medical Officer, a Chief Nursing Officer, and a Chief Human Resources Officer, each selected from a UC medical center. The AOC will abide by the Political Reform Act, which would prohibit Plan participants, such as the Senior Vice President – Health Sciences and Services, Chief Medical Officers, Chief Nursing Officers, and Chief Human Resources Officers, from making, participating in making, or influencing decisions that would affect whether they participate in the Plan, the objectives that will govern whether they earn awards under the Plan, and the amount of awards paid to them under the Plan. The Office of General Counsel will be consulted if there are any questions about the application of the Political Reform Act in this context. The Chief Audit and Compliance Officer will assure that periodic auditing and monitoring will occur, as appropriate.

Plan Approval
The Plan will be subject to an annual review conducted by the AOC to address design issues and market alignment. Once approved by the Regents, the Plan will be implemented each year upon the approval of the AOC if no changes to the Plan are being recommended. If the AOC recommends any substantive or material changes to the Plan, including, but not limited to, changes in the award opportunity levels, the AOC will obtain the approval of the President and the Regents’ Committees on Compensation and Health Services before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material Plan changes until after the end of the current Plan year. However, if
changes are implemented during the Plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the Plan year. Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and the Chairs of the Regents’ Committees on Compensation and Health Services and will then be implemented by the AOC at an appropriate time. The Regents will receive reports of all changes to the Plan.

**Plan Year**
The Plan year will correspond to the University’s fiscal year, beginning July 1 and ending the following June 30.

**Eligibility**
Eligible participants are defined as the senior leadership of the Clinical Enterprise who have significant strategic impact and a broad span of control with the ability to effect enterprise-wide change. Participants must be full-time employees of the University at the end of the Plan year to be eligible to receive an award for that Plan year, unless they have retired or involuntarily separated from the University as set forth in the Separation from the University provision below. A participant who has been found to have violated state or federal law or to have committed a serious violation of University policy will not be eligible for an award under the Plan.

Prior to the beginning of the Plan year, the AOC will provide the President and the Chair of the Regents’ Committee on Compensation with a list of Plan participants for that Plan year, including appropriate detail regarding each Plan participant.

Plan participation in any one year does not provide any right or guarantee of eligibility or participation in any subsequent year of the Plan.

Participants in this Plan may not participate in any other incentive or bonus plan during the Plan year, including the Health Sciences Compensation Plan, except in the event of a mid-year transfer within the University. Specifically, if a Plan participant is eligible for only a partial year award under this Plan because a mid-year transfer of position renders him or her eligible for Plan participation for only a portion of the Plan year, he or she may participate in a different University plan for the other portion of the Plan year. Concurrent participation in this Plan and another University plan is not permitted.

**Award Opportunity Levels**
As part of their competitive total cash compensation package, Plan participants are assigned threshold, target and maximum recognition award levels, expressed as a percentage of their salary. These award opportunity levels serve to motivate and drive individual and team performance toward annually established objectives. Target awards shall be calibrated to expected results while maximum awards shall only be granted for superior performance against established performance standards. Actual awards for any individual participant may not exceed the maximum award opportunity level assigned. Award opportunity levels are determined, in part, based on the participant’s level within the organization and the relative scope of responsibilities, impact of decisions, and long term strategic impact.
<table>
<thead>
<tr>
<th>Position Level within Organization</th>
<th>Threshold Opportunity (as % of Salary)</th>
<th>Target Opportunity (as % of Salary)</th>
<th>Maximum Opportunity (as % of Salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Other “Chief Levels” and Other Key Senior Clinical Enterprise Leadership</td>
<td>7.5%</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>Other Key Clinical Enterprise Leadership</td>
<td>7.5%</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Performance Standards**

Each Plan participant shall be assigned Performance Objectives which have standards of performance defined as Threshold, Target, and Maximum performance consistent with the following:

*Threshold Performance* – Represents the minimum acceptable performance standard for which a recognition award can be paid. This level represents satisfactory results, but less than full achievement of stretch objectives.

*Target Performance* – Represents successful attainment of expected level of performance against stretch objectives.

*Maximum Performance* – Represents results which clearly and significantly exceed all performance expectations for the year. This level of accomplishment should be rare.

**Performance Objectives and Weightings**

Prior to the beginning of each fiscal year, a series of financial and non-financial objectives will be established for each participant, consistent with the mission and goals of each medical center in the Clinical Enterprise. Objectives should fall into the categories below, with no single category accounting for more than 50 percent of the total incentive. It is recommended that no more than three objectives be established per category utilized, with no more than nine objectives in total per participant. Objectives should each relate to one of the following:

- Financial Performance
- Quality Improvements
- Patient Satisfaction
- Key Initiatives in Support of the Strategic Plan
- People and other Resource Management

In addition, the participants’ performance toward their assigned objectives will be measured across three organizational levels, when appropriate: Clinical Enterprise, Institutional (defined as the participant’s medical center) and Individual. Suggested weighting ranges are listed in the table below. Clinical Enterprise level objectives encourage medical centers to work together for the benefit of the entire Clinical Enterprise system. Institutional objectives encourage local teamwork and recognize the joint effort needed to meet challenging organizational goals.
Individual objectives are designed to encourage participants’ maximum effort and demonstration of individual excellence.

Performance Weightings:

<table>
<thead>
<tr>
<th>Position Level within Organization</th>
<th>Clinical Enterprise Level</th>
<th>Institutional Level</th>
<th>Individual Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>25% - 50%</td>
<td>25% - 50%</td>
<td>10% - 25%</td>
</tr>
<tr>
<td>Other “Chief Levels” and Other Key Senior Clinical Enterprise Leadership</td>
<td>10% - 25%</td>
<td>25% - 50%</td>
<td>25% - 50%</td>
</tr>
<tr>
<td>Other Clinical Participants</td>
<td>NA</td>
<td>25% - 50%</td>
<td>25% - 75%</td>
</tr>
</tbody>
</table>

Annual performance objectives for the Clinical Enterprise Level (system-wide), annual Institutional performance objectives for each medical center, and annual performance objectives for the individual CEOs of the medical centers will be established and administered by the Senior Vice President – Health Sciences and Services in consultation with the respective Chancellors. Annual performance objectives for the Senior Vice President – Health Sciences and Services will be established by the President in consultation with the Chairs of the Regents’ Committees on Compensation and Health Services in advance of the Plan year. Annual performance objectives for other participants will be established and administered by each participant’s supervisor in consultation with the CEO of that medical center.

Performance objectives must be specific, measureable, and stretch. Assessment of participants’ performance and contribution relative to these objectives will determine their actual award amount.

Objectives for participants in this Plan must be submitted to the AOC, which will review and approve the objectives in consultation with the President and the Chairs of the Regents’ Committees on Compensation and Health Services in advance of the Plan year. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of Plan participants’ objectives.

Financial Standards and Plan Funding

A financial target will be set by each medical center for the Plan year. These financial targets will be reviewed by the AOC in consultation with the Senior Vice President – Health Sciences and Services and the Executive Vice President and Chief Financial Officer, and approved by the President in advance of the beginning of the Plan year.

Full funding of awards for participants at a medical center in the Plan year is contingent upon that medical center’s ability to pay out the awards while maintaining a positive net cash flow from operations before intra-institutional transfers. In the event that the medical center cannot meet that financial standard for the Plan year, but the medical center attains key Institutional non-financial objectives, the AOC may consider and approve, in consultation with the Chancellor and Senior Vice President – Health Sciences and Services, partial award payouts for
some or all of that medical center’s Plan participants based on the Award Opportunity Levels defined above and participants’ achievement of their assigned objectives for the Plan year.

**Administrative Provisions and Award Approval**

The Plan shall be administered under the purview of the Executive Director – Compensation Programs and Strategy, at the Office of the President, consistent with the Plan features outlined above, and as approved by the President and the Regents. The Plan features and provisions outlined in this document shall supersede any other Plan summary.

The supervisor of each Plan participant will provide him/her with an annual Terms and Conditions document that (a) identifies the participant’s individual performance objectives for the Plan year, (b) defines the standards that will be used to measure threshold, target, and maximum performance for each objective, and (c) assigns performance weightings to the participant’s objectives.

At the end of each fiscal year, proposed awards will be submitted to the Executive Director - Compensation Programs and Strategy. Except as set forth below, review and approval of all awards under the Plan will be the responsibility of the AOC, which will review recommended awards within 60 days of the end of the Plan Year. Any award for the Senior Vice President – Health Sciences and Services or any other Plan participant who holds one of the executive offices identified in section 92032(b)(7)(B)(i) of the California Education Code, including, but not limited to, any vice president of the University, will require the approval of the Regents in addition to the approval of the AOC. Approved awards will be processed as soon as possible unless they have been deferred pursuant to the provision set forth below. The AOC will consult the Chief Audit and Compliance Officer in an independent advisory capacity during its review of proposed awards.

The Executive Director – Compensation Programs and Strategy will provide the President and Chairs of the Regents’ Committees on Compensation and Health Services with a listing of the award recommendations before the awards are scheduled to be paid. The awards will be reported annually to the Regents, with appropriate detail, such as the range of awards and the percentage and amount of the award granted for each Plan participant.

Annual incentive awards will be payable in cash, subject to appropriate taxes and pursuant to normal University payroll procedures. The participant’s total University salary (including base salary, stipends, and PTO pay, but excluding any prior year incentive award payouts and disability pay) paid as of the end of the Plan year (i.e., on June 30) will be used in the calculation of the award payout.

This Plan may be terminated or replaced at any time for any reason upon the recommendation of the President, in consultation with the Chairs of the Regents’ Committees on Compensation and Health Services, and with the approval of the Regents. Reasonable efforts, given all circumstances, will be made to delay Plan termination until after the current Plan year has concluded. However, if the Plan is terminated during the Plan year, awards for the current year will still be processed based on participants’ performance during the portion of the Plan year prior to termination.
Notwithstanding any other term in the Plan, current year awards may be deferred if the Regents issue a declaration of extreme financial emergency upon the recommendation of the President or if the Clinical Enterprise experiences a system-wide negative cash flow. In such situations, the deferral would be made upon the recommendation of the AOC and require the approval of the President and the Chairs of the Regents’ Committees on Compensation and Health Services. In such a case the current year deferred awards will earn interest at the STIP rate. Award payments that have been approved, but deferred, will be processed and distributed as soon as possible. In no event will awards be deferred longer than one year.

The University may require repayment of an award that has been made as a result of inappropriate circumstances.

**Separation from the University**
Participants who retire or who involuntarily separate due to reorganization, restructuring, or total disability during the current Plan year are eligible to receive a prorated incentive award for the current Plan year based on the date of separation of employment from the University. Retirement and total disability status will be determined based upon applicable University policies. In order to determine the most accurate award for the current Plan year, prorated payments will be calculated at the end of the Plan year and issued in accordance with the normal processing schedule.

Participants whose employment terminates as a result of death during the current Plan year are similarly eligible to receive a prorated incentive award for the current Plan year based on the date of death. In this situation, award payments will be made to the estate of the deceased participant. In order to determine the most accurate award for the current Plan year, prorated payments will be calculated at the end of the Plan year and issued to the estate of the deceased participant in accordance with the normal processing schedule.

Involuntary separation during the current Plan year for any other reason will be handled on a case by case basis.

**Partial Year Awards**
Participants must have a minimum of six months of service to participate in the Plan and will receive a prorated award in their first year of participation. Similarly, participants who were not working for a significant portion of the Plan year may receive a prorated award. Participants who transfer within the University to a position that would not be eligible for participation in the Plan are eligible to receive a prorated award for that Plan year.
WHEREAS, the Regents recognize that the people of California have entrusted them with the responsibility for careful stewardship of the resources of the University of California; and

WHEREAS, the Regents are committed to public access, awareness, knowledge, and understanding of The Regents' decision-making processes; and

WHEREAS, public concerns about the openness of Regents' deliberations with regard to executive compensation require a response;

NOW, THEREFORE, BE IT RESOLVED that the following principles shall obtain with regard to activities involving executive compensation:

1. Executive compensation shall include all elements of compensation identified in the Regents Policy on the Definition of Total Compensation, including all salary and other cash payments, all one-time payments/reimbursements, and all benefits and perquisites, that are applicable to members of the Senior Management Group (SMG) as currently and as may subsequently be described in the Bylaws and Standing Orders of The Regents. Pursuant to Standing Order 100.1, the Officers of the University are the President, Senior Vice Presidents, Vice Presidents, Associate Vice Presidents, Assistant Vice Presidents, University Controller, Chancellors, Vice Chancellors, Directors and Deputy Directors of Lawrence Berkeley Laboratory, the Lawrence Livermore National Laboratory, and the Los Alamos National Scientific Laboratory, and Directors of University hospitals. The Principal Officers of The Regents, as consistent with Bylaw 20, are the Secretary, Treasurer and General Counsel; and

2. Discussions of and actions on executive compensation programs shall occur in open session of the Committee on Compensation Subcommittee on Officers' Salaries and Administrative Funds and/or the Committee on Finance. All members of the Board shall be invited to attend such meetings. Final action regarding such programs shall occur in open session of the Board at a meeting held no sooner than twenty days following the meeting at which a recommendation requiring Board approval shall have been considered approved by the Committee on Compensation. Information and background materials shall fully and clearly disclose all relevant and material facts related to executive compensation programs, such as annual reviews of market data and comparison studies that form the analytical bases for the
establishment of executive compensation levels. These materials shall be provided in advance of the meeting in such a manner as to afford sufficient opportunity for review and understanding of the contents; and

3(a). Except as provided in section 3(b) below, discussions concerning appointment, status of employment, performance evaluations and compensation, or dismissal of SMG members of individual officers specifically discussed in conjunction with such evaluations, and actions with respect to recommendations concerning such matters, shall occur in closed sessions of the Committee on Compensation Subcommittee on Officers' Salaries and Administrative Funds and/or the Committee on Finance, consistent with the Education Code and the Bagley-Keene Open Meeting Act. All members of the Board shall be invited to attend.

3(b). Notwithstanding section 3(a), action taken by a committee of the Regents, and final action by the full Board of Regents, on a proposal adopting or modifying the Total Compensation of any member of the SMG shall occur in an open session of each of those bodies, and shall include a disclosure of the compensation package and rationale for the action. Final action regarding such matters shall occur in closed session of the Board, except that final action regarding compensation for the President, Vice Presidents, Chancellors, Treasurer, Associate Treasurer, General Counsel, and Secretary shall occur in open session of the Board as the last action item on the agenda. The specific proposal will be made available to members of the public in attendance, prior to the commencement of the open session at which it will be voted upon.

Agendas for such meetings shall be provided to all Regents in advance of the meeting and shall contain information and background materials sufficient to lead to a full understanding of the matters under discussion, including all compensation elements relevant to each individual officer under consideration. All members of the Board shall be invited to attend.

The meeting notice for any meeting at which compensation for a member of the SMG the Principal Officers of The Regents, President, Vice Presidents, Chancellors, and Associate Treasurer shall be voted upon shall include the title of the SMG member so state; and

4. Any paid leave of absence for Officers of the University, as defined above, granted by the President pursuant to Standing Order 100.4(e), shall be reported to the Board by the President. Any paid leave of absence for the President, or for Principal Officers of The Regents, as defined above, shall be approved by The Regents. Any paid leave of absence that exceeds ninety days for Chancellors, the Ernest Orlando Lawrence Berkeley National Laboratory Director, Executive Vice Presidents, Senior Vice Presidents, and other Vice Presidents shall be subject to approval by the Board of Regents; and

5. All actions affecting executive compensation and paid leaves of absence for members of the SMG Officers of the University and Principal Officers of The Regents shall be released to the public in a timely manner consistent with Bylaw 14.7. It is the intention of The Regents that administrative mechanisms to implement this provision shall be coordinated, strengthened and refined; and
6. Effective July 1, 1992, and thereafter, Annual reports on the level of compensation and funding sources for Officers of the University and Principal Officers of The Regents shall be approved by The Regents and submitted by the President to the Regents and to the California Postsecondary Education Commission, the Joint Legislative Budget Committee, and the relevant policy and fiscal committees of the Legislature and the Governor.
REGENTS POLICY ON THE DEFINITION OF TOTAL COMPENSATION

Approved July 15, 2010

TOTAL COMPENSATION shall be defined as:

1. All salary and other cash payments made to the employee or on behalf of the employee including but not limited to: base salary, stipends, incentive payments, bonuses, cash awards, automobile allowances, or any other cash payments that would be considered W-2 income to the employee.

2. One-time payments/reimbursements made to the employee or on behalf of the employee including but not limited to: relocation allowance, temporary housing reimbursements or allowances, moving expense reimbursements, payments pursuant to post-retirement agreement, payments pursuant to severance/separation agreements, or any other reimbursements made to the employee that would be considered W-2 income and are not considered business-related expenses.

3. Any benefits and perquisites including but not limited to: health & welfare benefits including retirement available to all career employees, senior manager life insurance, executive business travel insurance, executive salary continuation for disability, any home mortgage loans, senior management supplemental benefit program contributions, University provided housing, vacation and sick leave accrual, leased automobiles, post-retirement employment agreements, special or supplemental health or retirement benefits, severance or separation agreement benefits, any cash payment in connection with any severance or separation agreement, special sabbatical or other leave arrangements, or any other benefits or perquisites provided to the employee for services rendered to the University of California.
Regents Policy 7203: **POLICY POLICIES ON UNIVERSITYWIDE AND SENIOR LEADERSHIP COMPENSATION, AND PROCEDURES FOR SENIOR LEADERSHIP COMPENSATION**

Approved November 16, 2005; Amended July 15, 2010

A. To adopt the goals of obtaining, prioritizing, and directing funds, to the extent they are available, to increase salaries to achieve market comparability for all groups of employees over the ten year period from 2006-2007 through 2015-2016, as described in Attachment 1.

B. To adopt procedures for determining and setting compensation levels for senior leadership that are clear, comprehensive, and accountable, as described in Attachment 2.
**RECOMMENDATION A:** TO ESTABLISH GOALS TO OBTAIN, PRIORITIZE, AND ALLOCATE FUNDS, TO THE EXTENT THEY ARE AVAILABLE, TO INCREASE SALARIES TO ACHIEVE MARKET COMPARABILITY FOR ALL GROUPS OF EMPLOYEES OVER THE TEN-YEAR PERIOD FROM 2006-2007 THROUGH 2015-2016.

The following tables show the proposed goals for *cash* compensation and sources of funds over the next ten years to achieve market comparability. The *total* cost of achieving comparability (in current dollars) is $2.5 billion using a 4.0 percent growth rate.
In summary, the recommendations will result in the following actions, which are described in more detail in the policies, priorities, and process for senior leadership discussed in Recommendation B below and Appendix 1.

The University will actively pursue obtaining additional funds from State and all other resources.

The Regents will determine annually the amount of funds available for this purpose to be allocated to each campus and to the Office of the President.

The Regents will set annually Universitywide and campus-specific funding levels and priorities for the use of funds, as recommended by the President, for all groups of employees, considering such factors as total compensation discrepancies, retention, recruitment, performance, and other matters.
**RECOMMENDATION B:** TO ADOPT PROCEDURES FOR DETERMINING AND SETTING COMPENSATION LEVELS FOR SENIOR LEADERSHIP THAT ARE CLEAR, COMPREHENSIVE, AND ACCOUNTABLE IN ACCORDANCE WITH THE PRINCIPLES IN APPENDIX I.

The Regents and Senior Management have recognized for some time that the salary review process is ineffective.

- The current process of individual salary review does not provide for a systematic framework in which The Regents can assess Senior Leadership salaries.
- The comparability data currently provided to The Regents do not provide sufficient information to judge the individual positions and appropriate placement within the comparability range.
- An individual approval of salaries does not provide an effective process for assessing overall compensation.
- Failure to adjust the approval levels to reflect the effects of inflation has resulted in an excessive number of individual actions that require Board approval.
- While the Board has benefited from ad hoc compensation studies, routine external salary survey data, and CPEC analyses, there has not been a systemic, continuous external review procedure for individual positions.

Therefore, the Advisory Group on University Compensation recommends that:

- A salary range structure shall be approved by the Board of Regents for all campus and OP positions and shall be established based on recommendations of an external consultant.
- The Board of Regents will approve annual adjustments to the salary ranges based on an external consultant review and recommendations of the ranges and the placement of all targeted positions within this grade structure.
- For all positions of the Senior Leadership Compensation Group whose compensation exceeds the Indexed Compensation Level (ICL), the procedures described in Appendix I shall be used. Briefly, these procedures are:
  
  The Indexed Compensation Level (ICL) that was used for 2004-2005 was $168,000. The ICL shall be adjusted annually based on the CPI and shall be reported annually to the Regents in accordance with Regental Bylaw 12.3(m)(2).

1. The salaries for 32 positions specifically listed on Appendix I shall be directly approved by The Regents, with advice and recommendations as detailed in Appendix
(2) The President, for all positions in the Senior Leadership Compensation Group except for the 32 directly approved by The Regents, will, with the advice of the Senior Management Advisory Committee, determine specific salaries for each position within the grade structure approved by The Regents and consistent with the budget funding levels approved for each campus and for the Office of the President, by The Regents.

(3) All salary increases in any one year that result in any salary over the maximum of the salary range for the position or an increases in excess of 15 percent that places the salary above the midpoint of the salary range for the position shall be individually approved by The Regents.

(4) An annual report shall be made to The Regents on all positions and salaries for all whose compensation is in the Senior Leadership Compensation Group (i.e., in excess of the Indexed Compensation Level).
Appendix 1

SENIOR LEADERSHIP COMPENSATION POLICY

1. POSITIONS INCLUDED UNDER THIS POLICY SHALL INCLUDE all positions of the University whose compensation is in excess of the Indexed Compensation Level (ICL), and this group of positions shall be called the Senior Leadership Compensation Group, or SLCG.

2. APPROVAL OF COMPENSATION shall be as follows:
   a) Compensation of the President and Secretary of The Regents shall be determined by the Board of Regents upon recommendation of the Committee on Finance.
   b) Compensation of the General Counsel shall be determined by the Board of Regents upon recommendation of the Committee on Finance after consultation with the Office of the President.
   c) Compensation of the Treasurer shall be determined by the Board of Regents upon recommendation of the Committee on Finance after consultation with the Office of the President, the Committee on Investments, and the Investment Advisory Committee.
   d) Compensation of the Chancellors, Senior Vice Presidents and Vice Presidents, Medical Center Heads, and the Laboratory Directors, including compensation upon appointment and subsequent changes in compensation, shall be determined by the Board of Regents upon recommendation of the President through the Committee on Finance.
   e) Compensation of other Officers of the University with annual rates above the Indexed Compensation Level shall be established within the ranges set by the Board of Regents and determined by the President and shall be reported annually to the Board of Regents.
   f) Compensation of all other Officers of the University with annual rates below the Indexed Compensation Level shall be determined by the President and reported annually to the Board.

3. As provided in The Regents’ Bylaws, the Indexed Compensation Level (ICL) shall be adjusted annually in accordance with changes in the Consumer Price Index and shall be reported annually to the Board. The base ICL used for 2004-2005 was $168,000.

4. For all positions in the Senior Leadership Compensation Group, The Regents shall approve salary ranges annually upon recommendation of the President and/or in accordance with the process specified in item 2a through 2e above. Such recommendations shall be based on comparisons to the Full Comparison Group, the New Comparison Group, the Comparison Eight, the Private Peers, and the Public Peers, and on equity within the University of California. A cash compensation study shall be conducted annually and shall provide the basis for setting the salary ranges.
5. The methodology for setting the Salary Ranges shall reflect the relationship of the UC campuses to the comparison institutions and to other UC campuses.

6. All salaries for the SLCG except for those 32 requiring direct Regental approval (2a through 2d above) shall be determined by the President within the Salary Ranges and budget levels approved by The Board of Regents and funding levels available from State funds and other University sources, including private funds available, in accordance with Appendix 2. The Board of Regents shall set priorities annually for the use of available funds as recommended by the President, considering factors such as total compensation discrepancies, retention, recruitment, performance, and other matters.

7. Any salary for a member of the SLCG above the approved Salary Range shall be presented to The Board of Regents for approval through the Committee on Finance.

8. Any salary increase in excess of 15 percent of base salary for a member of the SLCG that will result in a salary above the salary grade midpoint for the position must be approved by The Board of Regents.

9. The President may establish procedures and delegate to each of the Chancellors the ability to set salaries for the SLCG within approved ranges for:
   • Non-represented Professional and Support Staff;
   • Management and Senior Professional Staff whose salaries are under the Indexed Compensation Level.

10. The President may establish procedures and delegate to each of the Chancellors the ability to set salaries in accordance with Universitywide guidelines established by the President for certain other non-SLCG employees.

11. All salaries for each position in the SLCG shall be reported to The Regents annually following the annual merit process. The report shall include the methodology used to set salaries within the ranges and shall provide comparisons within campus and Universitywide for the positions and salaries reported.

12. On recommendation of the respective Principal Officer of The Regents, compensation for the Office of the Treasurer, the Office of the General Counsel, and the Office of the Secretary (excluding the Treasurer, the General Counsel, and the Secretary, whose compensation shall be approved by the Board of Regents in accordance with paragraph 2 above) shall be determined by the President, the Chair of the Board of Regents, and the respective Committee Chair of The Regents. In the event that the parties do not concur, compensation shall be determined by the Board of Regents. If such salaries are in excess of the current Regental ICL threshold, then the Board of Regents shall determine the ranges for such salaries in accordance with item 3 above.
Regents Policy 7202: POLICY ON SPECIAL BENEFITS FOR THE EXECUTIVE PROGRAM

Approved December 10, 1992

The Regents approved the following recommendation:

A. Establish as policy the general guideline that any special benefits provided to senior executives be determined on the basis of their prevalence among comparable public and private universities and the extent to which they are beneficial to the University in recruiting and retaining key personnel.

B. Amend the Policy on University-Provided Housing for application prospectively to require the President and Chancellors to live in a University house, with the alternative of a housing allowance provided only if suitable University housing is not available; and to provide for either a house or a housing allowance, but not both; and approve the President's intent to discontinue the inclusion of the value of the house or housing allowance in the definition of covered compensation for the UCRP pension plan, effective January 1, 1994, to be phased out as the base salary increases occur as a result of the NDIP phase out.

C. Approve the President's intent to discontinue the Executive Tax and Financial Planning Program, effective January 1, 1993.

D. Approve the suspension of the special augmentation to the severance pay plan for Associates of the President/Chancellors, effective January 1, 1993.

E. Approve a reduction in the coverage of the Executive Life Insurance Program from three times salary to two times salary for Executive grades C, D and E, to be consistent with grades A and B, effective April 1, 1993.

F. Approve the elimination of supplemental vacation for executives, effective January 1, 1993.
POLICY ON COMPENSATION FOR STAFF AND MANAGEMENT EMPLOYEES

1) That, subject to the availability of appropriate funding, staff and management employee salaries and benefits be based on prevailing total compensation for employees performing comparable work in private and public employment.

2) That the President be instructed to determine prevailing total compensation appropriate to University jobs and the salary and benefit adjustments required to bring University staff and management total compensation into alignment with prevailing total compensation.

3) That the President be instructed to request funds from the Governor and the Legislature the state funds necessary to implement this policy.
POLICY ON EXECUTIVE PROGRAM SEVERANCE PAY PLAN

1. The University establishes an Executive Program Severance Pay Plan effective January 1, 1990, with implementation in various phases from January 1, 1990 through July 1, 1990, within the following guidelines:

A. Executive Program members shall be eligible for severance pay benefits upon termination of the Executive’s full-time (100%) employment, except as described in 2. below;

B. Permanently appointed members of the Executive Program, grades A through E, shall be credited each calendar quarter with amounts based upon their annual salaries and appointed grade levels as follows:

   Grade A            3%
   Grade B, C, D      5%
   Grade E            individually determined, to a maximum of 10%, with the understanding that any changes in such percentage amounts shall be approved by the Board;

C. Accrued amounts calculated for severance credit shall be increased quarterly at the rate of interest equal to the return for such quarter on the University’s general fund account (Short-Term Investment Pool) rate.

2. Severance pay benefits shall not be payable if the Executive is involuntarily discharged for cause.

3. In the event an Executive no longer holds an eligible Executive Program position, the accrued credit shall remain on account until termination of the University employment, subject to the forfeiture provisions described in 2. above.

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1 In September 1990, the Regents approved a special augmentation to the severance pay plan rate of accrual for those Executive Program members for whom an approved Associate of the President/Chancellor appointment had been made, in an amount equal to from 0.5 percent of the respective monthly salary. This provision was suspended by The Regents on December 10, 1992, effective January 1, 1993.

2 Policy was first adopted March 1990.
POLICY ON SALARY SETTING FOR THE EXECUTIVE PROGRAM

A. Total cash compensation shall serve to maintain a competitive market position and recognize individual performance.

B. Executive compensation programs shall be clear and simple to enhance internal and external understanding of the basis for and components of the compensation.

C. The methodology for establishing executive pay levels shall continue to be parallel to that utilized for faculty and staff and, therefore, shall include the following elements: use of market surveys of similar positions at comparable public and private universities; review of internal relationships; and consideration of recruitment and retention experience. The methodology to be implemented is as follows:

1. The University shall adopt the UC/CPEC common methodology for market surveys for Chancellors’ compensation, which utilizes the All University Set of 26 public and private universities and calculates comparisons to the market average, expressed in terms of leads and lags.

2. The University shall establish the target for the average total cash compensation of Chancellors as being approximately the mean of the All University Set, with actual distribution based on scope, size, complexity, and quality of each campus; performance and experience of each individual; and recruitment and retention experience.

3. The University shall use internal relationships, coupled with the performance and experience of the individual, and recruitment and retention experience, to determine compensation for other executives, supplemented by specialized surveys for positions not adequately represented in the All University Set.

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POLICY ON THE UNIVERSITY OF CALIFORNIA SPECIAL SUPPLEMENTAL RETIREMENT PROGRAM

1. The President is authorized to implement a University of California Special Supplemental Retirement (SSR) Program within the following general guidelines:

   A. Eligibility for the SSR Program shall be limited to Principal Officers of The Regents and the following Officers of the University: the President, Vice Presidents, Chancellors, and Directors of the three major Department of Energy Laboratories.

   B. Selection of individuals to participate in the SSR Program shall be recommended by the President and approved pursuant to 1.E. below, and shall be contingent upon acceptance by the proposed recipient of a University-determined period of employment, said acceptance to be indicated by an agreement signed by the President and the proposed recipient which shall include, but not limited to:

      1) the agreed term of employment of the individual, including an effective retirement date;

      2) the percentage rate which will be used to calculate the amount of the SSR benefit; and

      3) the maximum number of months of SSR benefit payments for which the individual would be eligible.

   C. Maximum annual benefit under the SSR program shall be up to 15 percent of the recipient’s highest average paid compensation for any three years of the period of employment under the SSR agreement.

   D. The maximum number of months of potential benefit shall be 180 (15 years), provided, however, that in no instance shall the number of months of SSR benefit payments exceed the actual agreed term of employment under the agreement.

   E. Amount and conditions of the SSR benefit shall be recommended by the President and shall be approved by the Board.

   F. All rights to the special supplemental benefit described in the SSR agreement shall be contingent upon satisfactory completion of the specified employment requirements by the potential recipient.

2. Existing compensation arrangements for Principal Officers of The Regents and eligible Officers of the University, approved by prior separate actions of The Regents, shall remain...
unchanged unless amended as provided in 1.E. above, to include the opportunity to receive an SSR benefit.

3. The President is authorized to implement a further SSR Program (Special Supplemental Retirement Program II), with the following general guidelines:

A. Eligibility shall be the same as in 1.A. above.

B. Maximum annual benefit under this further Program shall be the difference between (1) the benefits as calculated by the applicable University basic defined benefit retirement plan for which the employee is eligible without applying the limits imposed by §415 of the Internal Revenue Code, and (2) the maximum benefits permitted to be paid from the basic plan by §415.

C. The specific amount and conditions of the SSR II benefit, including the alternative of lump-sum rather than periodic payment, shall be recommended by the President and shall be approved by the Board.

D. The cost of the SSR II benefit shall be paid from discretionary funds available to the President and shall not be either General Funds or Basic Retirement Plan funds.
## Table A: Approval of FY2010-11 CapEquip Authorization

<table>
<thead>
<tr>
<th>UC Location</th>
<th>$ Amount Requested</th>
<th>Description of Expected Equipment Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Berkeley</td>
<td>$ 6,000,000</td>
<td>Research equipment, other equipment, budget and other software, and refinancing of certain existing capital equipment leases.</td>
</tr>
<tr>
<td>UC Davis</td>
<td>3,000,000</td>
<td>Science and laboratory equipment, animal caging, and computer software.</td>
</tr>
<tr>
<td>UC Davis - Medical Center</td>
<td>35,000,000</td>
<td>Replacement medical and diagnostic equipment, and new equipment related to Surgical and Emergency Services Pavilion to be completed in FY2010-11.</td>
</tr>
<tr>
<td>UC Irvine</td>
<td>1,000,000</td>
<td>Computing equipment and medical equipment.</td>
</tr>
<tr>
<td>UC Irvine - Medical Center</td>
<td>15,000,000</td>
<td>Medical equipment, diagnostic equipment, plant equipment, and health information software.</td>
</tr>
<tr>
<td>UCLA</td>
<td>25,000,000</td>
<td>Medical, diagnostic, research, shop, computer, communications, and networking equipment; vehicles; software licenses; and refinancing of existing capital equipment leases.</td>
</tr>
<tr>
<td>UCLA - Medical Center</td>
<td>40,000,000</td>
<td>Miscellaneous medical and office equipment, including IT software and hardware.</td>
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<tr>
<td>UC Merced</td>
<td>170,000</td>
<td>Purchase of transportation vehicles.</td>
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<tr>
<td>UC Riverside</td>
<td>250,000</td>
<td>Purchase of 40-50 photocopy machines for use by various campus departments.</td>
</tr>
<tr>
<td>UC San Diego</td>
<td>2,000,000</td>
<td>Medical and diagnostic equipment, budget software, DNA sequencer/extraction equipment, and refinancing of certain existing capital equipment leases.</td>
</tr>
<tr>
<td>UC San Diego - Medical Center</td>
<td>40,000,000</td>
<td>Medical, diagnostic, software, and the possible refinancing of certain existing capital equipment leases; medical and diagnostic equipment, software for opening of Sulpizio Family Cardiovascular Center.</td>
</tr>
<tr>
<td>UC San Francisco</td>
<td>15,000,000</td>
<td>Scientific equipment, transportation vehicles (shuttles and cars), information technology/network, office equipment (printers/copiers)</td>
</tr>
<tr>
<td>UC San Francisco - Medical Center</td>
<td>20,000,000</td>
<td>Diagnostic/clinical/scientific equipment, office equipment (printers/copiers).</td>
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<tr>
<td>UC Santa Barbara</td>
<td>500,000</td>
<td>Medical and diagnostic instruments, vehicles, and refinancing of certain existing capital equipment leases.</td>
</tr>
<tr>
<td>UC Office of the President</td>
<td>1,000,000</td>
<td>Office and research equipment.</td>
</tr>
<tr>
<td>UC Agriculture &amp; Natural Resources</td>
<td>300,000</td>
<td>Agricultural equipment, analytical equipment, and software.</td>
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</table>

**Total Authorization:** $ 204,220,000
Additions shown by underscoring; deletions shown by strikethrough

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<tr>
<th>SCHEDULE OF REPORTS TO THE REGENTS</th>
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<td>Month(s) Presented or Mailed to Regents</td>
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**BOARD**

- Report of the President Concerning University Activities and Individuals (the President’s Report)  
  - January
  - March
  - May
  - July
  - September
  - November

**COMMITTEE ON COMPENSATION**

- Annual Reports on Executive Compensation for Calendar Year ___: (a) Incumbents in Certain Senior Management Positions and (b) Deans and Certain Faculty Administrators (*mbm*)  
  - March
  - July

- Annual Reports on Compensated Outside Professional Activities for Calendar Year ___: (a) Incumbents in Certain Senior Management Positions and (b) Deans and Certain Faculty Administrators (*mbm*)  
  - March
  - July

- Annual Report on Health Sciences Compensation Plan Participants’ Compensation that Exceed the Reporting Threshold (*mbm*)  
  - November

- Annual Report on Adjustment of the Indexed Compensation Level (*mbm*)  
  - September

- Bi-Monthly Monitoring Reports: (a) Incumbents in Certain Senior Management Positions; (b) Deans and Exceptions to Policy for Certain Faculty Administrators; and (c) Actions for Certain Athletic Positions and Coaches Systemwide (*mbm*)  
  - January
  - March
  - May
  - July
  - September
  - November
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<td>Competitiveness</td>
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<td>Biennial Accountability Sub-Report on Staff</td>
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<td>Annual Report on Internal Audit Plans</td>
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<td>Annual Review of External Audit of Hastings</td>
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<td>College of the Law <em>(mbm</em>)</td>
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<td>Annual Report on Compliance</td>
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<td>Annual Report of External Auditors for the Year</td>
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<td>Ended June 30, ____</td>
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<td>Major Donors, and Namings and Endowed Chairs</td>
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<td><em>(mbm)</em></td>
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<td>Report on Comprehensive Review] <em>(mbm)</em></td>
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## SCHEDULE OF REPORTS TO THE REGENTS

Pursuant to Bylaw 16.8(a)  
Amended January July 2010

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<td>Annual Report on the University Private Support Program</td>
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<td>Report on Comprehensive Review (mbm*)</td>
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<td>[Consolidate with the Annual Report on Undergraduate Admissions Requirements, 2013]</td>
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<td><strong>COMMITTEE ON EDUCATIONAL POLICY and COMMITTEE ON FINANCE</strong></td>
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<td>Annual Report on Self-Supporting Professional Degree Programs (mbm*)</td>
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<td>Biennial Accountability Sub-Report on Graduate Academic and Professional Degree Students [Beginning 2010]</td>
<td>July</td>
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<tr>
<td>Biennial Accountability Sub-Report on Student Success [Beginning 2011]**</td>
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<td>Annual Accountability Sub-Report on Diversity at the University of California</td>
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<td>Annual Accountability Sub-Report on the University of California Admissions and Enrollments</td>
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<td>Annual Report on Risk Management (mbm*)</td>
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<td>Annual Report on Use of Outside Counsel (mbm*)</td>
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<td>Annual Report on Settlements and Separation Agreements</td>
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<td>Annual Report on University Housing Assistance Programs (mbm*)</td>
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<td>Annual Report on Expenditures of Associates to the President and Chancellors (mbm*)</td>
<td>September</td>
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POLICY ON COMMEMORATIVE DISPLAYS

The Regents of the University of California have declared that it is their policy to permit the installation of plaques, cornerstones, inscriptions, or other commemorative displays only on or in such buildings of the University of California as are erected with funds provided as outright gifts by donors and which have been indicated by the donors as memorials to specifically named individuals.

The Regents have determined that this policy is applicable to the placement of plaques in portions of buildings and the naming of those portions after individuals, as well as to the use of plaques to honor an individual without intent to name the building or portion of building after the individual honored.
POLICY ON REGENTS’ RELATIONS TO FAIR EMPLOYMENT PRACTICES ACT

The Regents of the University of California believe that there is no place on our democracy for discrimination based on race, religion, or national origin.

As a result of this conviction, the University has long opposed discriminatory practices in all University affairs.

As a matter of policy, The Regents declare that the University will continuously support the spirit and purpose of the Fair Employment Practices Act and will tender appropriate assistance to the Fair Employment Practices Commission and other governmental agencies in achieving the elimination of discriminatory practices in employment and other fields.

To insure strict adherence to this policy, the University has procedures to prevent any discriminatory practice contrary to the rights of prospective, current, or former employees.

The Board of Regents makes this policy declaration of its own accord since it is a constitutionally independent body and thus legally exempt from the provisions of the Fair Employment Practices Act.
Deletions shown by strikethrough

POLICY ON RETENTION OF OUTSIDE CONSULTANTS

That the practice of retaining expert consultants from outside the University be continued whenever such a procedure is deemed necessary by The Regents.
POLICY ON APPOINTMENT OF CHAIRMAN

The Committee on Committees further recommends that the policy adopted by the Board upon the appointment of Regent Dickson as Chairman of the Board, in the following words, be reaffirmed:

In presenting this recommendation the Committee wishes to state that it has been made without regard to seniority, but with the best interests of the University in mind. The Committee does not believe that the rule of seniority for the appointment of the Chairman of the Board or Chairman of Committees necessarily should be followed.
Deletions shown by strikethrough

POLICY ON COMPETITIVE BIDDING

That The Regents reaffirm their policy that construction contracts be competitively bid, to the extent required by law.
RESOLUTION GRANTING AUTHORITY TO THE OFFICERS OF THE REGENTS TO EXECUTE CONTRACTS OR ACCEPT GRANTS FROM EXTRAMURAL SPONSORS

That the Regents’ approval of a proposal to an extramural sponsor for the conduct of research, training, or public service be construed as granting authority to the Officers of The Regents to execute a resulting contract or to the President to accept a resulting grant in which the amount and/or time varies from that proposed, provided the general intent and purpose of the project as proposed have not been significantly changed, and provided further that if the amount and/or time varies by more than 25 percent, the action shall be reported to the Board at a subsequent regular meeting.
POLICY ON NONDISCRIMINATION BY STUDENT ORGANIZATIONS AND IN APPROVED STUDENT HOUSING

The University of California has always had a policy in the administration of its affairs against discrimination based on race, religion or national origin. This policy has been followed strictly in the admission of students to the University and in the utilization of all of the University’s facilities. All groups operating under the administrative control of The Regents, including administration, faculty, student governments, and University-owned residence halls, are governed by this policy of nondiscrimination.

Private groups which surround University campuses and which in various ways provide services to the University or its students are not bound by the University’s nondiscrimination policy if they do not receive special privileges from the University and are not subject to its control.

Somewhat different problems are presented by the many organizations composed of University students which are essentially private organizations but which are recognized by the University or by student governments. They are entitled to certain privileges such as use of University facilities and are subject to certain University regulations (e.g., rules governing student living in fraternities and sorority houses). Most organizations of this type, including most social fraternities and sororities, honorary societies, and professional societies, have long had as an essential aspect of their operations the freedom of their members to choose the persons who shall be included in their groups. The University recognizes and approves this freedom of essentially private groups to select their own members.

A few groups with such a special relation to the University still are subject, however, often against the wishes of their local members, to external restraints requiring discrimination. In accordance with the traditions of the University, there must be freedom for all such groups to choose members on a basis of individual evaluation unfettered by policies which require discrimination on the grounds alone of race or religion or national origin regardless of the personal merit of the fellow student. Consequently for such groups having a special reciprocal relationship of privileges from any obligations to the University, the University, in accordance with its basic philosophy of nondiscrimination, must insist that the students participating in such organizations be freed from any external restraints requiring said discriminatory practices.

In accordance with the general policies expressed above, the following regulation governing student groups has been approved to apply to all campuses of the University:

1. Discrimination based on race, religion, or national origin is specifically forbidden in the administration of the affairs of student governments and their subsidiary agencies.

2. All other student organizations which are recognized by the University or by the student governments as a condition of recognition shall have a membership policy which does
not require discrimination based on race, religion, or nation origin. The members of such organization shall be free to choose their own associates according to their own best judgment, and should not be confined to selection within a system of categories which finds its origin in racial or religious discrimination. Where such groups operate on a basis of selected membership, the students participating in them shall be permitted to choose members free from the restraints of said discriminatory policies imposed by constitutions, agreements, alumni or other non-students, or other organization rules. With respect to the few remaining student organizations (including fraternities and sororities) which are bound by discriminatory clauses in national constitutions or other regulations beyond the power of the local organization to change, and in order to proceed with all deliberate speed in the elimination of said discriminatory policies, this regulation shall become effective at the earliest possible date when (1) said discriminatory clauses in national constitutions and in other national regulations can be eliminated; or (2) the local organizations specifically are exempted by the national organizations from the effect of such discriminatory clauses, and in no event later than September 1, 1964.

3. Each organization covered by the policy in Paragraph 2 shall deposit with the Dean of Students or equivalent officer on the relevant campus by January 1, 1960, copies of all constitutions, charters, or other documents relating to their policies with reference to choice of membership. By the same date, they shall also deliver to the same officer a statement signed by the president or similar officer of the local organization to the effect that there are not rules or policies which inhibit the members from accepting students without discrimination on account of race, religion, or national origin in the selection of members. (Organizations falling within the exception in the last sentence of Paragraph 2 may delay filing the nondiscrimination statement until the governing date under Paragraph 2.) This statement shall be renewed annually and the other documents required by this paragraph shall be refilled within the ninety days after any substantive change or amendment.

4. Nothing contained in this statement of policy shall interfere with the traditional alumni-chapter relationships except as set forth above.

5. Privately owned housing facilities which are inspected and approved by the University for student housing shall be open to all students without discrimination based on race, religion, or national origin. This paragraph does not apply to student organizations covered by Paragraph 2.

6. Violation of the policy set forth in Paragraph 2 shall result in the withdrawal of University recognition and of any University privileges from the group involved. Violation of the policy set forth in Paragraph 5 shall result in the removal of the housing facility involved from the approved list.
IMPLEMENTATION OF THE UNIFORM MANAGEMENT OF INSTITUTIONAL FUNDS ACT

The Regents adopt the Uniform Management of Institutional Funds Act (UMIFA), California Probate Code section 18500, et seq.
Additions shown by underscoring; deletions shown by strikethrough

UNIVERSITY OF CALIFORNIA
MORTGAGE ORIGINATION PROGRAM
PROGRAM POLICIES

A. ELIGIBILITY AND PARTICIPATION POLICIES

In all eligibility and participation policies described herein, it is understood that any appointee in a position specifically designated by The Regents as requiring Regents’ approval for compensation-related matters, must be approved for Mortgage Origination Program participation by The Regents.

1. The eligible population for the Mortgage Origination Program (Program-MOP) consists of full-time University appointees who:

   - are members of the Academic Senate or hold academic titles equivalent to titles held by such members;
   - hold the title of Acting Assistant Professor;
   - are members of the Senior Management Group; or
   - will be appointed to any of these eligible positions effective no more than 180 days after loan closing.

   It being understood that any non-academic appointee with total cash compensation in excess of the Indexed Compensation Level and any position specifically designated by The Regents as requiring Regents’ approval for compensation-related matters, must be approved for Program participation by The Regents.

2. From the eligible population, the Chancellor or DOE Laboratory Lawrence Berkeley National Laboratory (LBNL) Director shall designate eligible individuals for participation in the Program-MOP based on each location’s determination of its requirements for recruitment and retention. Additionally, the Chancellor or DOE Laboratory LBNL Director may recommend, and the President is authorized to approve, individuals not in the eligible population defined in Policy Section A.1 for participation in the Program-MOP, based upon the essential recruitment and retention needs and goals of the institution. It being understood that any non-academic appointee with total cash compensation in excess of the Indexed Compensation Level at the time of the request for approval and any position specifically designated by The Regents as requiring Regents’ approval for compensation-related matters must be approved for Program participation by The Regents.

2. Because the Program is primarily designed to assist eligible appointees enter the housing market near their campus for the first time, a minimum of 90% of the funds allocated for Program loans between July 1, 1988 and June 30, 2000, and a
minimum of 85% of the funds allocated for Program loans since July 1, 2000 are to be used for the purchase of the participant’s first principal place of residence within a reasonable distance of campus at which the participant is employed, it being understood for these purposes that the participant has not owned a principal place of residence within such distance of the campus within the 12-month period preceding the closing of the Program loan.

3. Effective with the 2010-2012 MOP allocation and for all subsequent allocations, a minimum of 60% of funds allocated for MOP is designated for participants who are purchasing their first principal place of residence within a reasonable distance of their campus or laboratory. These loans are further designated for participants who have not owned a principal place of residence within a reasonable distance of their campus or laboratory within the 12-month period preceding the closing date of their MOP loan.

4. If, in the judgment of the Chancellor or DOE-LBNL Laboratory Director, individual circumstances warrant the making of a loan that does not meet the primary intent of Policy Section A.3, up to 40% of the allocation is available to in order to address an essential recruitment or retention needs of the campus, the Chancellor or Laboratory Director may authorize Program participation or laboratory for an otherwise eligible appointees from that portion of the remaining funds not restricted by the provisions of Policy A.3 for the following limited purposes (Limited Resource Allocation Loans): for one or more of the following purposes (Limited Purpose loans):

- to refinance existing qualifying housing-related debt secured on a participant’s principal residence, including related loan transaction expenses included in the prior loan balance or related to the Program-MOP refinancing loan, with the understanding that the Program MOP loan cannot be used to pay off loans, secured or not secured, used for non-housing-related expenses or for any mortgages on other properties. For any debt secured on a participant’s principal residence that was incurred during the five years prior to loan closing, the participant must document the purpose and use of funds as qualifying housing-related indebtedness associated with the subject property;
- to provide a new Program-MOP loan to a current or prior Program-MOP participant at the same campus or laboratory; or
- to provide a Program-MOP loan to a participant who has owned a home within a reasonable distance of the campus or laboratory within a 12 month period prior to the funding of a Program-MOP loan.

5. Program-MOP participation may continue for the term of employment by the University of California, as long as the property securing the loan continues to meet the specifications outlined in Policy Section B.1, it being understood that:

- if the property securing the loan no longer meets the specifications outlined in Policy Section B.1, the MOP mortgage loan shall be reviewed for appropriate
disposition; and

- if University employment is terminated or, in the case of academic appointees, there is a permanent change to an appointment status not considered to be in full-time service to the University, the MOP mortgage loan is to be repaid within 180 days of such date of separation or change in status, with the understanding that:

  - participation can continue when separation is due to disability or retirement under the provisions of the University of California Retirement Plan or other retirement plan to which the University contributes on behalf of the participant; or
  - in the event of the death of the participant, participation can continue for a surviving spouse or surviving Domestic Partner or, in the absence of a surviving spouse or surviving Domestic Partner, for a surviving Eligible Child (as the terms Domestic Partner and Eligible Child are defined by the University of California Retirement Plan); or
  - in hardship cases, reasonable forbearance beyond the 180 day period may be granted for repayment, provided all other terms and conditions of the loan are satisfied.

B. PROGRAM MOP LOAN POLICIES

1. Program MOP loans shall be secured, using a recorded deed of trust or other appropriate recorded document, for residences that are:

   - owner-occupied single-family residences, including planned unit development and condominium units, which may include one secondary unit that does not comprise more than one-third of the total living area of the home;
   - the principal place of residence for the participant, other than during absences for sabbatical leave or other approved leaves of absence;
   - used primarily for residential, non-income producing purposes; and
   - 50% or more participant-owned.

2. MOP loans may not be used for direct construction loans; however, MOP Program loans may be used to refinance commercial construction loans upon completion of a new residence or the completion of the renovation of an existing residence.

3. The maximum loan-to-value ratio (LTV) of a MOP Program loan is to be determined as follows:

   - for loans up to (including) $845,000 (indexed limit as of April 2010), the maximum LTV is 90% when the loan does not include any financing of closing costs and 92% with financing of documented closing costs;
   - for loans greater than $845,000 up to (including) the Indexed Program Loan Amount ($1,330,000 as of April 2010), the maximum LTV is 90%;
for loans greater than the Indexed Program Loan Amount $1,330,000, the maximum LTV is 85.80%; and

Program MOP loan amounts greater than the $1,330,000 (Indexed Program Loan Amount) shall require the approval of the President and the concurrence of the Chairman of the Board of Regents and Chairs of the Committees on Finance and Compensation.

An increase to the 85.80% maximum LTV for loans in excess of the Indexed Program Loan Amount $1,330,000 to no more than 90.85% may be approved upon recommendation by the President, with concurrence of the Chairman of the Board of Regents and the Chairs of the Committees on Finance and Compensation. The value of the residence is, in all cases, defined as the lesser of the purchase price or current appraised value. The above dollar threshold amounts for determining the maximum LTV and for the Indexed Program Loan Amount reflect applicable levels in effect as of April 20072010, which shall be adjusted annually in April, based upon any increases in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.

4. The maximum term of a MOP Program loan shall be 40-years.

5. The standard mortgage interest rate (Standard MOP Rate) will be equal to the most recently available average rate of return earned by the Short-Term Investment Pool (STIP) for the four quarters preceding the issuance of a loan commitment letter for the mortgage loan, plus an administrative fee component:

- the President shall determine the level of the administrative fee component of the rate up to an amount not to exceed 0.25%;
- the Standard MOP Rate will be adjusted annually on the anniversary date of the loan;
- the maximum amount of adjustment up or down of the Standard MOP Rate will be 1% per year;
- there will be no overall cap on the total amount of adjustment of the Standard MOP Rate over the term of the loan;
- effective with loans approved on or after August 1, 2010 the minimum initial Standard MOP Rate shall be 3.0%, and the annual rate adjustment on these loans will have a floor rate of 3.0%;
- in the event a loan commitment letter is issued and the Standard MOP Rate subsequently decreases prior to the loan funding, the borrower participant will receive the more favorable rate; and
- the difference between the weighted average rate of return of the Program MOP mortgage portfolio versus that of STIP will be calculated monthly, with any earnings shortfall in the MOP Program portfolio being covered by the Faculty Housing Program Reserve. Any earnings excess will be retained in the Faculty Housing Program Reserve. The Faculty Housing Program
Reserve will reimburse STIP for any principal losses resulting from portfolio loan losses.

6. Campuses have the option to offer Participants borrowers may request an Interest-Only MOP loan (IO-MOP) that has a temporary interest-only repayment feature for up to 10 years (IO-Period) with the following parameters:

- the maximum overall term of the loan is 40 years and the minimum remaining term after the IO-Period is 30 years;
- an additional interest rate margin of 0.25% will be added to the Standard MOP Rate during the IO-Period (IO-Rate);
- the additional 0.25% margin amounts collected during the period of UC-ownership of any such loan shall be held in a separate loss protection account within the Faculty Housing Programs Reserve to offset any losses of principal attributed to this class of loans;
- during the IO-Period, the maximum annual adjustment to the IO-Rate, up or down, is 1%;
- after the IO-Period, the fully amortized payment will be calculated using the remaining loan balance and term at the underlying Standard MOP Rate in effect at the end of the IO-Period, subject to the maximum annual interest rate adjustment of the Standard MOP Rate, up or down, of 1%; and
- the IO-Period is not renewable beyond the maximum 10-year IO-Period term.

Beginning with the 2010-2012 MOP allocation and for all subsequent allocations, IO-MOP loans shall be limited to 15% of the cumulative allocation.

7. Each Chancellor and DOE Laboratory the LBNL Director is authorized to designate eligible program participants for participation in the Graduated Payment Mortgage Origination Program (GP-MOP) option, which provides for a reduction in the Standard MOP Rate in the manner described below:

- the maximum rate reduction in the Standard MOP Rate is 3.0% and the minimum resulting mortgage interest rate for such loans shall be 3.0%;
- the rate reduction amount will be decreased by a predetermined annual adjustment (ranging from 0.25% to 0.50%) until the mortgage interest rate equals the Standard MOP Rate;
- for the time period in which the rate reduction is in effect for each GP-MOP loan, the campus shall provide for a monthly transfer of funds (from available campus funds, including discretionary funds, as well as unrestricted and appropriate restricted gift funds) to STIP or to a third-party investor, if the loan has been sold, to provide the same yield that would have been realized under the Standard MOP Rate; and
- the President is authorized to approve an initial rate reduction greater than 3.0% and an annual adjustment amount outside the standard range of 0.25% to 0.50% based upon the essential recruitment and retention needs and goals of the institution, it being understood that any such approvals for non-academic
appointees with total cash compensation in excess of the Indexed Compensation Level at the time of the request for approval and any position specifically designated by The Regents as requiring Regents’ approval for compensation-related matters must be approved by The Regents.

8. The sum of monthly mortgage payments (principal and interest) of the MOP loan this and all other loans secured by the residence may not exceed 40% of the participant’s household income.

9. When administratively feasible, MOP loan mortgage payments shall be made by payroll deduction while on salary status.

10. Mortgage loans under this MOP Program loans are not assumable.

11. MOP loans Mortgage loans under this Program carry no prepayment penalty.

12. MOP loans Mortgage loans under this Program carry no balloon payments.
UNIVERSITY OF CALIFORNIA
SUPPLEMENTAL HOME LOAN PROGRAM
ELIGIBILITY AND PARTICIPATION GUIDELINES
and PARAMETERS POLICIES

A. ELIGIBILITY AND PARTICIPATION GUIDELINES

In all eligibility and participation policies described herein, it is understood that any appointee in a position specifically designated by The Regents as requiring Regents’ approval for compensation-related matters, must be approved for Supplemental Home Loan Program participation by The Regents.

1. The eligible population for the Supplemental Home Loan Program (Program SHLP) consists of full-time University appointees who are:

- members of the Academic Senate or who hold academic titles equivalent to titles held by such members; or
- hold the title of Acting Assistant Professor; or
- who are members of the Senior Management Group; or
- will be appointed to any of these eligible positions effective no more than 180 days after loan closing. Except that the President is authorized to make exceptions to the above categories based upon the essential recruitment and retention needs and goals of the institution, which authority may be delegated to the Chancellors and DOE Laboratory Directors for other academic employee classes; and

* in the case of loans funded under terms of a gift, an exception to this eligible population guideline may be made to comply with the terms of the gift.

2. From the eligible population, the Chancellor or DOE Laboratory Lawrence Berkeley National Laboratory (LBNL) Director shall designate eligible individuals for participation in SHLP the Program based on each location’s determination of its requirements for recruitment and retention. Additionally, the Chancellor or LBNL Director may recommend, and the President is authorized to approve, individuals not in the eligible population defined in Section A.1 for participation in SHLP, based upon the essential recruitment and retention needs and goals of the institution.

3. Program SHLP participation may continue for the term of the participant’s eligible employment by the University of California, as long as the property securing the loan continues to meet the specifications outlined in #2 under Program Loan Parameters Section B.2, it being understood that:

- if the property securing the loan no longer meets the specifications outlined in #2 under Program Loan Parameters Section B.2, the mortgage SHLP loan shall be reviewed for appropriate disposition; and
if University employment is terminated or, in the case of academic appointees, there is a permanent change to an appointment status not considered to be in full-time service to the University, the mortgage SHLP loan is to be repaid within 180 days of such date of separation or change in status, except with the understanding that:

- participation can continue when separation is due to disability or retirement under the provisions of the University of California Retirement Plan or other retirement plan to which the University contributes on behalf of the participant; or
- in the event of the death of the participant, participation can continue for a surviving spouse or surviving Domestic Partner, or, in the absence of a surviving spouse or surviving Domestic Partner, for a surviving Eligible Child (as the terms Domestic Partner and Eligible Child are defined by the University of California Retirement Plan); or
- in hardship cases, reasonable forbearance beyond the 180 day period may be granted for repayment, provided all other terms and conditions of the loan are satisfied.

B. **SHLP PROGRAM LOAN PARAMETERS POLICIES**

1. **SHLP Program** loans shall be used primarily for the purchase of a participant's primary principal residence, or to provide short-term bridge financing; however, at the discretion of the Chancellor or DOE LBNL Laboratory Director, Program SHLP loans also may be used for:

- Renovation of a principal residence;
- Refinancing of existing housing-related debt secured by the Primary residence.

To refinance existing qualifying housing-related debt secured on a participant’s principal residence, including related loan transaction expenses included in the prior loan balance or related to the SHLP loan, with the understanding that the SHLP loan cannot be used to pay off loans, secured or not secured, used for non-housing-related expenses or for any mortgages on other properties. For any debt incurred during the five years prior to loan closing, the participant must document the purpose and use of funds as qualifying housing-related indebtedness associated with the subject property.

2. Program SHLP loans shall be secured, using a recorded Deed of Trust or other appropriate recorded document, for residences that are:

- owner-occupied single-family residences, including planned unit development and condominium units, which may include one secondary unit that does not comprise more than one-third of the total living area of the home;
- the principal place of residence for the participant, other than during absences for sabbatical leave or other approved leaves of absence;
- used primarily for residential, non-income-producing purposes; and
3. The maximum loan-to-value ratio (LTV) of a Program SHLP loan, either alone or in combination with other loans, is to be determined as follows:

- for loans totaling up to (including) the Indexed Program Loan Amount ($1,330,000 as of April 2010) up to $1,330,000, the maximum combined LTV is 95%; and
- for loans totaling more than the Indexed Program Loan Amount $1,330,000, the maximum combined LTV is 90%;

Program SHLP loan amounts greater than the Indexed Program Loan Amount shall require the approval of the President and the concurrence of the Chairman of the Board of Regents and the Chairs of the Committees on Finance and Compensation.

The above dollar threshold amounts for determining the maximum LTV reflect applicable levels in effect as of April 2007, which shall be adjusted annually based upon increases in the all-campus average sales price determined by the annual zip code study performed by the Office of Loan Programs.

Exceptions to increase the maximum combined LTV of 90% for loans in excess of $1,330,000, to a maximum of 95% may be granted upon recommendation of the President, with the approval of the Chair of the Committee on Finance and the Chair of the Board of Regents.

The value of the residence is in all cases defined as the lesser of the purchase price or current appraised value. The above dollar threshold amounts for determining the maximum LTV and for the Indexed Program Loan Amount reflect applicable levels in effect as of April 2010, which shall be adjusted annually in April, based upon any increases in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.

4. The maximum term of a SHLP Program loan shall be 40 years, with repayment schedules designed to accommodate the needs of the Program SHLP participant as well as any requirements of the funding source.

5. Each location shall determine the mortgage interest rate to be charged on a given loan, except with the understanding that minimum or maximum rates may be established to comply with federal and State lending and tax laws and regulations. The minimum SHLP interest rate shall be 3.0%.

6. The sum of monthly mortgage payments (principal and interest) of this SHLP loan and all other loans secured by the residence may not exceed 40% of the participant's household income.
7. When administratively feasible, mortgage SHLP payments shall be made by payroll deduction while on salary status.

8. SHLP loans Mortgage loans under this Program are not assumable.

9. SHLP loans carry no prepayment penalty.