

The Regents of the University of California

**COMMITTEE ON COMPENSATION**

January 21, 2010

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

Members present: Regents Kozberg, Lozano, Stovitz, and Varner; Ex officio members Gould and Yudof; Advisory members Hime and Powell

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

The meeting convened at 9:40 a.m. with Committee Chair Varner presiding.

1. **PUBLIC COMMENT**

There were no speakers wishing to address the Committee.

2. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of November 19 and the joint meeting of the Committees on Compensation and Governance of November 19, 2009 were approved.

3. **PRESENTATION ON THE IMPACT AND IMPORTANCE OF INCENTIVE PLANS AT THE MEDICAL CENTERS**

Committee Chair Varner noted that the Regents would now hear from a panel of leaders in the health care industry who would discuss compensation issues. These executives had graciously agreed to donate their time to inform the Regents regarding the latest standards in health care compensation.

Interim Executive Vice President Brostrom introduced the speakers. Dan Schleeter is the Senior Vice President with Integrated Healthcare Strategies, a consulting firm dedicated exclusively to improving the operations of a wide array of health care organizations. Mr. Schleeter focuses on the firm's executive total compensation practice and has over

20 years' experience as a practitioner and consultant in total rewards. Lee Domanico is the Chief Executive Officer of the Marin Healthcare District, where he is leading the acquisition and assuming operational control of Marin General, the largest acute care hospital in Marin County. Mr. Domanico is widely regarded for his ability to establish "patient-centric" environments and for the turnaround of Legacy Health System in Portland, Oregon, one of the largest health care systems in the Pacific Northwest with five hospitals, 2,700 physicians and 8,500 employees. Lloyd Dean is the Chief Executive Officer of Catholic Healthcare West, one of the leading not-for-profit health care systems in the United States. Mr. Dean is responsible for \$11 billion in assets and 41 acute-care hospitals, as well as medical clinics, home health organizations, two health plans, five medical practice groups and approximately 53,000 employees and 10,000 physicians in California, Arizona, and Nevada.

Vice President Duckett recalled that the Clinical Enterprise Management Recognition Plan (CEMRP) is a Regentally approved incentive plan that provides financial awards based on meeting or exceeding goals. It was created to drive the performance of the medical centers, to improve the quality of care and patient satisfaction, to improve financial performance, and to focus workforce behavior, an important feature of the Plan. The Plan has been in place at the UC medical centers since 1994. This and other similar clinical incentive plans cover over 22,000 participants at the medical centers, including more than 17,000 represented employees. In this respect the CEMRP is unique.

Mr. Duckett outlined some CEMRP systemwide and medical center goals, including increasing savings through group purchasing, the reduction of bloodstream infections, increasing clinical payment rates, and patient satisfaction. There are also goals for individuals, which focus on service, quality, and financial management. He emphasized that minimum targets must be met for payout of an award. CEMRP awards are not derived from State funds.

Mr. Duckett then presented sample 2008-09 CEMRP objectives and medical center achievements. One systemwide CEMRP objective was to decrease bloodstream infections by ten percent. In the second half of fiscal year 2009, bloodstream infections were reduced by more than 20 percent. Another objective was to achieve \$4 million in savings from group purchasing related to pharmaceutical, medical supply, laboratory, and information technology expenses; the actual savings have amounted to \$7.1 million systemwide. A third objective was to increase clinical payment rates achieved by systemwide contracts with private insurance plans by four percent; rates increased by more than five percent, netting more than \$100 million, which will support the delivery of high-quality medical care to the public as well as teaching efforts.

Mr. Duckett emphasized that CEMRP is a program covering all levels of employees. The University feels that this drives workforce behavior in a positive manner and ensures that employees recognize their critical role in patient health and satisfaction, whether in serving as a physician or removing medical waste. The unionized CEMRP population is approximately 17,000. These are individuals who can have a positive effect on medical care. Later in the meeting, there would be an action item concerning CEMRP payouts for

38 Senior Management Group (SMG) members. CEMRP drives accountability and inclusiveness in the organization.

The plan covers medical professional and supervisory or management staff; the latter include nursing and pharmacy supervisors, X-ray department heads, and records management. All major UC unions are represented: the American Federation of State, County and Municipal Employees (AFSCME), the Coalition of University Employees (CUE), the University Professional and Technical Employees (UPTE), and the California Nurses Association (CNA). The plan year payout subtotal for these groups of employees was about \$30 million. About \$3 million in payouts remain for SMG members. Mr. Duckett again underscored that all payouts are derived from medical center revenue.

President Yudof expressed his hope that the speakers would inform the Regents about industry standards for compensation. The University operates in the public sector and discloses its compensation. Sometimes the public receives the impression that this is extraordinary payment of bonuses to high-level executives, when in fact these are not bonuses, but incentive pay to elicit certain results. The University operates in a competitive market, and could learn from the speakers, who manage competitive first-rate organizations. Their organizations have developed policies that take into account risk management, quality of patient care, personnel retention, and cost control. President Yudof asked the speakers to address the industry standard for compensation plans which aim to achieve multiple objectives.

Mr. Schleeter explained that his firm, Integrated Healthcare Strategies, works exclusively in the not-for-profit health care arena. It has reviewed, designed, audited, and commented on more executive incentive plans in not-for-profit health care than any other consulting firm.

The purpose of incentive plans is often seen as being to motivate employees. This is part of the functioning and effectiveness of incentive plans, but far more important is the fact that they focus attention. They provide direction for executives. The most effective plans focus attention on both perennial goals and on shifts in direction and changing priorities. They provide constant reinforcement of the strategic plan. An executive compensation package consists of a base salary, an annual incentive which is variable, and a benefit component. For many organizations, the purpose of an incentive plan is to put some portion of the total compensation package "at risk" for improved performance. If an organization does not have an annual incentive plan, it needs to consider very carefully its total compensation package, which is competitive pay. For recruitment and retention, an organization might have to pay base salaries at a level including the target amount of an annual incentive. Mr. Schleeter noted that two of his clients, one public and one non-public institution, follow this procedure. They target their base salaries against total cash compensation, including base salary and incentive.

Mr. Schleeter then discussed the prevalence of incentive plans, comparing public or government organizations, such as state universities and hospital districts, with non-public, not-for-profit 501(c)(3) health care organizations, which dominate the landscape

in the United States. Incentive plans are common to both, and somewhat more prevalent in the non-public environment. On average, non-public organizations tend to provide higher target incentive opportunities as a percentage of base salary. Academic organizations, which fall into both categories, also tend to pay higher incentives than other types of organizations in both categories.

For an organization, success is defined as an improvement in performance, and as improvement in those areas where improvement was expected. Mr. Schleeter emphasized that the architecture, structure, or design of an incentive plan is far less important than the goal-setting process. There are many different designs for incentive plans; no single design functions in every environment. A plan will be successful if it pays an appropriate amount to the right individuals for the right reasons. An incentive plan should not be treated as a pay plan. It must be integrated with the organization's management of employee performance and self-assessment. Mr. Schleeter noted that, when he advises organizations which do not have an incentive plan, he first asks them to examine their budgeting and strategic planning processes and to consider essential elements for survival and success from one to three years into the future. This is the correct context for an incentive plan. When a successful plan is in place, executives work together in ways they have not worked before. He noted that UC's incentive plan has improved planning and goal-setting across the UC system.

Mr. Schleeter outlined some critical themes. Organizations should not establish measures which are easy to satisfy, but should consider what they need to do to improve their performance. Organizations should have the creativity and flexibility to change the structure of an incentive plan to achieve critical goals. Goal-setting requires a great deal of attention. Qualitative goals can be very effective, but they must be articulated clearly, in concise, objective statements. If not, organizations can find themselves later debating the meaning of those goals.

In the current environment, organizations are called upon to explain their incentive awards. Mr. Schleeter stated that two points should comprise the core of such an explanation. First, it is important to recall that executive incentives form such a large proportion of the total pay package that they truly represent a significant risk based on performance expectations. The second point is that, if performance had not been strong, the pay would have been less than average. If performance exceeds expectations, pay will be more than average, but bad performance will result in pay that is well below average. This is an important message to communicate.

Beyond this essential explanation, Mr. Schleeter advised that organizations should communicate the tangible results of their incentive plans, such as improvements in specific clinical indicators and patient satisfaction. When asked about the financing of their plans, organizations should focus not on the dollar amounts or margin involved, but on the benefits these plans provide. In the current State funding environment in California, an incentive plan provides financial stability. For any organization, an incentive plan can be related to the purchase of desirable equipment or new community

benefit features. Improved finances are a rainy day fund for the future, necessary for any not-for-profit organization.

Regent Marcus asked if there were any factual evidence indicating that incentive plans improve performance. Mr. Schleeter responded that his firm has often examined this question. Because of timing issues, it is not possible to demonstrate as clear a connection as one would like between plan and performance.

Mr. Domanico informed the Regents that he has served as a CEO in the health care profession for 25 years, including experience with not-for-profit, for-profit, faith-based, and public organizations. At all those organizations, “at risk” compensation has been a key element of total compensation. He described the incentive plans across these different organizations as more similar than different. The differences between the plans concerned the level of “at risk” compensation. At the executive level, in the for-profit industry, this compensation can be 60 percent to 100 percent of the total; in the not-for-profit industry it averages 30 percent to 45 percent. Mr. Domanico noted that he now works for a public entity, and his compensation is public. His “at risk” compensation is 42 percent at a maximum, targeted at 28 percent.

Incentive awards have always been a standard part of compensation. Without incentive compensation, base salaries would have to be higher to be competitive and to attract highly talented employees. Incentive compensation helps to align and clarify priorities and leads to team coordination of effort by executives. It is an opportunity for executives and the management team to share in the overall success of the organization. There is an important symbolic element in incentive compensation as well, particularly for high achievers, as a formal recognition of their achievement. Mr. Domanico cautioned that incentive plans will not turn an average performer into a high performer, but they will motivate high achievers and retain them, individuals who wish to have a part of their compensation at risk because they like the opportunity for achievement.

At the middle management level, “at risk” compensation is about 10 percent to 20 percent of total pay. In Mr. Domanico’s experience, incentive plans are based on a balanced scorecard with five primary areas: people, service, quality, growth, and finance. “People” refers to employee engagement and physician satisfaction. “Service” is patient satisfaction, based on quantifiable results through survey tools. “Quality” would be demonstrated by statistics like those mentioned earlier, measurable improvements in outcomes for patients. “Growth” refers to volume and revenue growth and improved market share, and the “finance” category is obvious.

At the CEO level, these five areas are usually balanced, with a 20 percent weight for each area. The balance can shift over time, depending on the position of the organization. In the early years of a struggling organization, the CEO’s incentive compensation would be weighted toward effecting a financial turnaround. In later years, weight would shift to balance with other areas, such as service and quality. The incentive compensation for a CFO would be weighted toward finance; for a chief nursing officer it would be weighted toward quality; for a business development officer, it would be weighted toward growth.

and market share improvement. The emphasis of incentive plans can be varied depending on job position, priorities, and the state of development of the organization.

Incentive plans are measurable and provide a very positive inducement for high-performing employees, while there are no surprises for underperforming employees. They clearly articulate the expectations for executives. Mr. Domanico expressed his conviction that incentive plans are motivational, promote retention, and attract a certain type of executive to an organization, an individual who is comfortable placing his or her compensation at risk based on achievement. If an incentive plan functions properly, it is impossible for a CEO to achieve “at risk” incentive compensation without his or her direct reports meeting their goals as well. In turn, if employees reporting to these direct reports do not meet goals, the CEO’s direct reports will not achieve their award either. Properly designed, an incentive compensation plan is a pyramid that leads to overall organizational success. Not-for-profit public organizations should do well and do good; doing well means meeting quality measures, which enables an organization to do good for the community. Mr. Domanico concluded by emphasizing that incentive plans are an important part of good performance, or doing well.

Regent Lozano expressed support for incentive plans, which encourage behaviors which are good for an organization. She asked in what cases incentive programs might encourage risky behavior. She asked how, in the non-profit arena, one can balance incentive programs and high-risk behavior.

Mr. Domanico responded that, typically, there are threshold requirements which have to be met before an incentive plan is funded or before any individual is eligible for “at risk” compensation. Those thresholds should be established to protect the core mission of the organization, such as meeting community benefit obligations in the case of a not-for-profit organization. Care must be taken in balancing incentive criteria not to encourage risky behavior in any one area. This is why it is important to include patient and employee satisfaction as well as financial performance among the incentive criteria. An organization must achieve good financial performance while also maintaining a committed and engaged workforce. Balance is essential.

Mr. Dean noted that he has served as CEO of Catholic Healthcare West (CHW), a faith-based organization, for ten years. CHW has had incentive compensation plans since its inception in 1986. These plans have been modified. The number of participants has expanded dramatically. The CHW board and the organization believe that everyone connected with the organization should participate in its success. Incentive plans are one element of the overall work environment and work life CHW wishes to create for its employees and executives.

The purpose of CHW’s incentive plans is to attract, motivate, and retain outstanding, talented employees. In the health care arena today, health care executives are not limited to academic institutions or hospitals; they have many different opportunities. CHW wishes to recognize those who have responsibility and principal accountability for the achievement of goals, objectives, and strategies. Incentive plans also serve to focus

management and leadership teams on key elements which drive overall success. Out of CHW's 55,000 employees, almost every employee participates in the incentive plan in some way, at varying levels. Hospital presidents and the executive management team participate in an annual incentive plan. This plan covers the organization down from this level, including hospital and corporate vice presidents, hospital directors, managers, supervisors, and non-represented supervisors. There are 11 unions representing CHW employees; the largest are the Service Employees International Union (SEIU) and the California Nurses Association (CNA). CHW sees the unions as partners. In addition to its incentive plan, CHW has a broad-based bonus program that involves all employees.

For CHW top executives, approximately 50 percent of compensation is at risk. Like UC, CHW has within its governance structure a finance committee, responsible for reviewing finances and establishing financial goals for the organization. There is also a quality committee, including CHW board members and outside experts, and an investment committee. In all, CHW has seven standing committees. The compensation committee does not set financial goals for CHW; this is the task of the finance committee. There is a firewall in place.

Mr. Dean described how CHW's incentive plan works. If a financial goal is to achieve \$250 million, in order for incentives to be paid, the organization must earn above that \$250 million amount. CHW's incentive plan is self-funded. The CHW incentive plan focuses on criteria including quality, with metrics set by the quality committee, in conjunction with the chief medical officer; financial goals, with metrics based on best practices in national comparator institutions; and leadership, another key criterion. Mr. Dean recalled Regent Lozano's concern about preventing behaviors contrary to the goals, objectives, and ethics of an organization. The CHW incentive plan focuses on how results are achieved as much as on which results are achieved. If there is evidence of improper behavior by an executive or any plan participant, he or she will be completely ineligible for an incentive. Quality, leadership, financial metrics, and patient and employee satisfaction are key drivers of the incentive plan. CHW tries to avoid setting mediocre benchmarks and compares itself to the best practices and performance standards nationwide.

Mr. Dean noted that he is the most recent chairperson and current speaker of the Catholic Health Association of the United States, which represents 1,100 hospitals nationwide. The majority of Catholic Health Association hospitals have incentive plans, which vary in size and metrics. Like CHW, they weight certain performance indicators annually and make modifications based on the strategic plan, financial plan, and capital plan, and other input.

Mr. Dean referred to Regent Marcus' question regarding evidence that incentive plans have driven organizational success. He noted that one could also ask whether there is evidence that they have not driven success. A complex set of attributes and components leads to the success of a complex health care organization. He recounted that he joined CHW in June 2000. In 1997-1999, the organization had lost \$1 billion and was on the verge of "junk bond status." At the present time, CHW is one of the highest-performing

systems in the U.S. It has recovered the lost \$1 billion and earned multiple billions in addition. It enjoys a high quality rating. Mr. Dean acknowledged that all these successes could not be attributed to incentive plans, but emphasized that these plans allowed the organization to refocus itself, to attract the type of talent necessary for turning around an organization, and to retain personnel. In the decade Mr. Dean has served at CHW, CHW has lost only one individual from its top leadership, and that individual retired. Mr. Dean expressed his belief that incentives, if used correctly, if reviewed annually, if designed correctly, with appropriate discipline through governance and management to ensure integrity, can help an organization focus and achieve success. He agreed that an ineffective program which is not monitored or reviewed, with inappropriate metrics, will fail.

Committee Chair Varner thanked the speakers for a timely and relevant discussion.

Regent Island stated that the Regents could fairly conclude that the CEMRP and the payouts being discussed at this meeting were within industry norms, necessary for purposes outlined by the UC health system, and appropriate. The UC health system spends hundreds of millions of dollars outside Regental supervision and control. The Regents do not approve these large purchasing decisions. Regent Island stated that the Regents' concern regarding employee compensation has brought before them an incentive plan they should not decide on. The Regents are not in a position to judge health system metrics or the quality of physicians. The decision on incentive payments was difficult in the context of layoffs and the challenges of paying and retaining faculty. Regent Island emphasized that, while public monies are used to pay the President, chancellors, faculty, and staff, the medical center incentives are not paid from public funds, but from health system revenues, and the UC health system alone should decide on them. These decisions should not be brought to the Regents. Regent Island urged the President and the Board to move decision-making authority in this matter to the health system.

Committee Chair Varner stated that the University is considering changes to some compensation policies which would accommodate Regent Island's suggestion without sacrificing transparency. He emphasized the importance of retaining transparency and reporting to the public.

Regent De La Peña reminded the Regents that UC hospitals occupy third and seventh places in a national ranking, and first place on the West Coast. UC achieves these rankings through hiring exceptional employees. In the medical profession, incentives are the norm and expected. While there may not be hard data demonstrating that incentive plans function better than simply a fixed salary, job candidates in this profession expect incentive plans. It would be irresponsible of the Regents to consider not implementing an incentive plan that produces results.

Chairman Gould stated that the panel discussion reaffirmed the importance of UC's incentive plan as a catalyst for quality patient care. He referred to Regent Island's comments and expressed his view that it is worthwhile for the Regents to review their



role in the execution of these incentive payments and that there is a role for the Regents in the structure of these incentives and in establishing the metrics for financial stability and quality, as a part of their oversight. The actual execution of the incentives can be handled at a lower level of University administration. The Regents have a continuing responsibility for disclosure of the incentives, but execution is another matter. Chairman Gould welcomed further discussion of this matter and again emphasized the importance and fairness of the University's incentive structure.

Mr. Dean observed that the most rigorous part of CHW's governance work regarding compensation and incentives occurs in two areas: in the plan design, with components that can be modified at any time, and in goal-setting, with work to ensure that goals are rigorous, driving the right behaviors, and consistent with the values, ethics, and leadership attributes to which the organization aspires. If these two elements are present, the plan to some extent becomes "mechanical" or formulaic.

Regent Kieffer expressed concern that, in the future, if this matter is no longer decided on by the Regents, the public would still raise questions. Ultimately the Regents have responsibility and it is their obligation to explain and justify the University's actions to the public, in order to protect and manage the institution. He expressed his view that the Regents should examine and question policies annually to ensure that the UC incentive plan as a whole is not inconsistent with peer organizations. In this way, the Regents will be in better position to defend the University's actions. While this may be a difficult situation, the Regents are always called on to answer to the public and they cannot delegate this responsibility. Regent Kieffer expressed his support for the CEMRP.

Committee Chair Varner stated that the University will follow up on these observations. The Regents will continue to exercise their fiduciary duties and maintain transparency.

Regent Marcus called attention to Mr. Dean's comments on the relationships between organizational committees and senior management, which led to a flexible and fair incentive plan. He emphasized that, to be competitive, the University must seek the best employees and needs a plan to reward them. As a public institution, the University must have an incentive plan that is above reproach and so it must ensure that there are no unintended consequences, such as an unusually high payout. The CEMRP is market-driven. Regent Marcus noted that it is difficult to recognize market conditions. Federal policies can change, affecting results; during a certain period, there was construction of too many hospitals. Factors such as these are difficult to integrate neatly into an incentive plan. Regent Marcus emphasized that there must be detailed review of plan metrics and execution by a policy group which should not be the Board of Regents.

Mr. Duckett stated that the University wishes to proceed in the direction indicated by the speakers for its compensation practices generally, with establishment of a policy framework administered by individuals who will be held accountable. The Board of Regents would validate a framework that reflects market conditions and includes safeguards to prevent abuse.

Regent Marcus emphasized the complexity of this matter. The CHW board is well informed of developments in its system. Its committees work to arrive at an agreed-upon, negotiated settlement. An incentive plan must be agreed upon, negotiated; executives or a board should not design their own plan. He expressed his concern that the Board of Regents is not in position to examine this matter in the necessary detail and to set overriding metrics. He emphasized that there must be some advisory group that will exercise oversight.

Mr. Dean noted that compensation issues have become increasingly complex. Not-for-profit organizations are subject to many federal and State reviews. Therefore, an organization must have some oversight entity that can review the incentive plan in depth and detail. At CHW, this role is played by the compensation committee. However, the compensation committee yields to the finance committee regarding financial metrics, and to the quality committee regarding quality metrics. Ultimate accountability rests with the CHW board of directors. Mr. Dean stated that this board of directors would correspond to the Board of Regents. He encouraged the University to pursue this issue further, noting that even a small mistake can compromise an entire organization.

Mr. Brostrom responded to Regent Marcus' remarks, stating that the administration will work with Committee Chair Varner to develop a recommendation for the Board. An appropriate avenue for this review might be the Senior Management Advisory Committee, which includes chancellors of all campuses with medical centers and Senior Vice President Stobo.

Regent Makarechian referred to the benefit UC medical centers provide in training physicians and nurses. He observed that the employees participating in the CEMRP are paying for billions of dollars in hospital construction, new beds, and renovation. This is often overlooked and never mentioned, but in light of the fact that county hospitals are closing, this is an important public service by the UC medical centers. Regent Makarechian referred to the cost of renovations at UCLA and UCSF, in the hundreds of millions of dollars; without incentive plans, these renovations would not have been possible. He suggested that the State of California might consider developing its own incentive plan to improve its credit ratings. He expressed his strong support for the CEMRP, which is related to the University's public service mission.

Regent Lansing stated that the Regents can take great pride in the UC hospitals, which truly fulfill the University's public service mission. If UC were not competitive, its hospitals would not perform at a high level. She echoed Regent De La Peña's comments to the effect that incentive plans are the norm in the health care profession. Even in difficult economic times, the University has an obligation to find ways to protect the quality of its hospitals and of the entire University. If the Regents do not do this, they are failing in their duties. She expressed her complete support for the CEMRP.

Regent Zettel expressed her misgivings about approving this incentive compensation, in spite of the knowledge that UC has an excellent health care system, leadership, and vision. Her concerns were based on the current state of the economy in California and the

impact of unemployment, including impact on those still employed who must work longer hours for less pay. These facts are irrelevant to the promises UC has made to its health care employees. UC has promised a certain compensation package, and the employees have delivered with excellence, through all levels of the organization. Regent Zettel asked if UC reserves are healthy enough to sustain uncertainties in the health care arena. She cited the possible effects on the UC health care system of the ongoing national health care reform debate, the continual reduction of State resources, and the underfunding of the UC Retirement Plan. She stated that she felt uncomfortable about supporting the action item for CEMRP payouts for SMG members, and that she would abstain from voting on this item later.

4. **APPROVAL OF INDIVIDUAL COMPENSATION ACTIONS AS DISCUSSED IN CLOSED SESSION**

A. *Stipend Extension for Helen K. Henry and Gail A. Yokote as Acting Co-University Librarians, Davis Campus*

Background to Recommendation

Helen K. Henry and Gail A. Yokote have been serving as Acting Co-University Librarians since January 1, 2009 because the current University Librarian, Marilyn Sharrow, had to take an unexpected leave of absence. The Davis campus has received word that Ms. Sharrow will retire on March 1, 2010. Her retirement was announced November 20, 2009. Therefore, the campus is seeking approval to extend the stipends for Ms. Henry and Ms. Yokote as Acting Co-University Librarians for an additional one-year period, or until a permanent replacement is hired.

Both Ms. Henry and Ms. Yokote have received a merit adjustment since approval of their initial acting appointments, so this request reflects their adjusted academic base salaries. The stipend request remains at ten percent of their newly adjusted base salaries.

These positions are paid 100 percent from State General Funds.

Recommendation

The President recommended approval of the following in connection with administrative stipend extensions for the following individuals at the Davis campus:

- (1) As an exception to policy, extension of the appointment duration for Helen K. Henry as Acting Co-University Librarian, effective January 1, 2010, through December 31, 2010, or until the hire of a permanent University Librarian, whichever occurs first. In addition:

- a. As an exception to policy, extension of an administrative stipend of ten percent of base salary (\$12,076) to increase her current base salary of \$120,756 to an annual salary of \$132,382.
  - b. The stipend amount will be increased as the base salary is increased, so the stipend will equal ten percent of the base salary, at a 100-percent-time appointment.
  - c. Per policy, standard pension and health and welfare benefits.
- (2) As an exception to policy, extension of the appointment duration for Gail A. Yokote as Acting Co-University Librarian, effective January 1, 2010, through December 31, 2010, or until the hire of a permanent University Librarian, whichever occurs first. In addition:
- a. As an exception to policy, extension of an administrative stipend of ten percent of base salary (\$13,122) to increase her current base salary of \$131,220 to an annual salary of \$144,342.
  - b. The stipend amount will be increased as the base salary is increased, so the stipend will equal ten percent of the base salary, at a 100-percent-time appointment.
  - c. Per policy, standard pension and health and welfare benefits.

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

**B. *Title Change for James Davis, from Associate Vice Chancellor – Information Technology to Vice Provost – Information Technology, Los Angeles Campus***

Background to Recommendation

The Los Angeles campus is requesting a title change for James Davis from Associate Vice Chancellor – Information Technology to Vice Provost – Information Technology. There are no changes to compensation proposed in this action. Mr. Davis has enhanced the role of information technology in teaching and research by effectively engaging faculty and staff to achieve information technology goals. His leadership in the development of the University of California computing grid is well known, as well as his service on the Board of the Corporation for Education Network Initiatives in California (CENIC). In the public and national view, Mr. Davis has represented the UCLA campus in testifying to the U.S. Congress regarding security breaches and other matters.

The title of Vice Provost clarifies both Mr. Davis' leadership status and his focus on academic issues concerning faculty, students, academic programs, and research. As Vice Provost, Mr. Davis would be empowered to continue implementing campus information technology strategy through the exercise of his authority and the allocation of information technology resources.

The position is funded through State resources and is subject to the salary reduction/furlough plan.

#### Recommendation

The President recommended approval of the following title change for James Davis as Vice Provost – Information Technology, Los Angeles campus:

- (1) A title change from Associate Vice Chancellor – Information Technology to Vice Provost – Information Technology, Los Angeles campus. There are no proposed changes in compensation.
- (2) Effective January 1, 2010.

Additional items of compensation include:

- Annual base salary of \$223,900 in SLCG Grade 108 (Minimum \$192,300, Midpoint \$244,900, Maximum \$297,400).
- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, continued participation in the Supplemental Home Loan Program.

This position is paid 100 percent from State General Funds.

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.

C. *Stipend Extension for Dallas L. Rabenstein as Acting Executive Vice Chancellor and Provost, Riverside Campus*

Background to Recommendation

Dallas Rabenstein has served as Acting Executive Vice Chancellor and Provost for the Riverside campus since February 16, 2009. The campus recently launched a national search for an individual to fill the position on a permanent basis. An extension of Mr. Rabenstein's appointment and administrative stipend is requested through August 31, 2010 to provide continuity of leadership. Mr. Rabenstein is a highly respected, seasoned administrator who has served the Riverside campus well during his acting appointment.

This position is paid 100 percent from State General Funds.

Recommendation

The President recommended approval of the following items in connection with the stipend extension for Dallas L. Rabenstein as Acting Executive Vice Chancellor and Provost, Riverside campus:

- (1) As an exception to policy, an extension of the appointment for Mr. Rabenstein as Acting Executive Vice Chancellor and Provost, Riverside campus. This change extends the acting appointment beyond the one year allowed by policy for a total duration of 18.5 months. This extension allows Mr. Rabenstein to provide continuity of leadership and serve until the search to fill the position on a permanent basis is concluded.
- (2) As an exception to policy, continued administrative stipend of 19.8 percent (\$41,339) to increase Mr. Rabenstein's current adjusted faculty salary of \$208,661 to a total annual salary of \$250,000 (SLCG Grade 109: Minimum \$214,700, Midpoint \$274,300, Maximum \$333,700). The incumbent will not be eligible for merit consideration.
- (3) This appointment is at 100 percent time and will be effective February 16, 2010 through August 31, 2010, or until the appointment of a permanent Executive Vice Chancellor and Provost, whichever occurs first.

Additional items of compensation include:

- Per policy, continued eligibility for standard pension and health and welfare benefits.
- Per policy, accrual of sabbatical credits as a member of tenured faculty.
- Per policy, ineligible to participate in the Senior Management Supplemental Benefit Program due to tenured faculty appointment.

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.

D. ***Contract Amendment for James A. Wooldridge as Head Coach – Men's Basketball, Riverside Campus***

Background to Recommendation

The proposed contract amendment for James A. Wooldridge as Head Coach – Men's Basketball, Riverside campus provides opportunity to earn up to \$10,000 in camp or clinic income. Pending approval by the Regents of these compensation terms, Mr. Wooldridge's contract amendment will be effective January 21, 2010 and terminate on June 30, 2014, unless terminated earlier pursuant to the terms of the Employment Contract or unless the parties agree in writing to the terms of a successor contract or a contract extension prior to that date.

This position is paid 100 percent from State General Funds. The proposed potential total cash compensation is \$358,000 per annum. This reflects a 2.8 percent increase from the current contract.

The contract amendment is deemed necessary to complete negotiations of a long-term commitment with Mr. Wooldridge and retain him in his current position on the Riverside campus.

Regental approval is required for this contract amendment because it is outside the Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide.

Recommendation

The President recommended that the following terms and conditions be reflected in the contract amendment for James A. Wooldridge as Head Coach – Men's Basketball, Riverside campus:

Camp Compensation: in Section 5 of the Contract Addendum, an additional employment clause will be added to the terms of the contract agreement as outlined below:

Coach shall be eligible to conduct camps and clinics at the University, with scheduling as mutually agreed to by Coach and Director of Athletics. Coach, at his option, may be paid up to 50 percent of the net profit from any camp or clinic conducted up to \$10,000 per annum. The net profit

shall be calculated by subtracting all approved expenses from all revenue. Should Coach opt not to be paid 50 percent of the net profit from any camp or clinic conducted, any balance may be allocated by the Director of Athletics, after consultation with Coach, in accordance with University policies and procedures. The financial operations of the camp or clinic shall be conducted through the Department of Athletics Business Office and conform to all University and NCAA policies, rules and regulations.

Additional items of compensation include:

- Per contract and per policy, eligible for standard health and welfare benefits.

The compensation set forth in the Contract Addendum described above and in the underlying contract with Mr. Wooldridge, except as expressly modified by the Contract Addendum, shall constitute the University's total commitment until modified by the Regents and shall supersede all other 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.

E. ***Merit Increases for Certain Senior Management Group Members at the Lawrence Berkeley National Laboratory***

Background to Recommendation

On August 13, 2009, the Lawrence Berkeley National Laboratory received approval from the Department of Energy for a salary budget allocation of 3.5 percent for fiscal year 2009-10. The allocation includes 2.5 percent for merit increases and one percent for reclassifications, promotions, and equity adjustments throughout the year.

The Laboratory, in attempting to balance the need to remain competitive with the need to control costs, has used only 2.76 percent of the allocated budget. Merit increases across the Laboratory totaled 2.45 percent of payroll and only 0.31 percent was used for equity, promotions, and reclassifications. None of these actions were at the Senior Management Group level.

Recommendation

The President recommended that merit increases for Senior Management Group (SMG) members at the Lawrence Berkeley National Laboratory, as proposed by the Laboratory Director, and as presented below, be approved.

In accordance with the approval authority guidelines approved by the Regents at their September 2008 meeting, and with the SMG Salary and Appointment



Policy, also approved by the Regents at their September 2008 meeting, compensation for SMG employees at the Laboratory is presented for Regental approval. Additional merit increases under the authority of the President and Laboratory Director will be presented in the March 2010 Bi-monthly Transaction Monitoring Report.

All merit increases at the Laboratory will be paid for by funds provided by the Department of Energy's 3.5 percent salary budget allocated for fiscal year 2009-10, including 2.5 percent for merit increases. The average increase for the SMG population listed below is 2.38 percent. The effective date of these increases is October 1, 2009.

NAME	JOB TITLE	PREVIOUS BASE SALARY	PERCENT INCREASE	NEW BASE SALARY
Fernandez, Jeffrey A.	Management IV – Chief Financial Officer	\$259,980	2.5 %	\$266,480
Gray, Joe W.	Assoc Laboratory Director – Life & Environmental Sciences	\$313,488	2.5 %	\$321,325
Krupnick, James T.	Assoc Laboratory Director – Chief Operating Officer	\$300,744	2.38 %	\$307,910
Siegrist, James L.	Assoc Laboratory Director – General Sciences	\$278,016	2.0 %	\$283,576
Simon, Horst D.	Assoc Laboratory Director – Computational Research	\$293,556	2.5 %	\$300,895

**F. *Appointment of and Compensation for Terry A. Belmont as Chief Executive Officer – Medical Center, Irvine Campus***

**Background to Recommendation**

The Irvine campus is requesting approval for the appointment of and compensation for Terry A. Belmont as Chief Executive Officer (CEO) for the UC Irvine Medical Center, effective January 1, 2010. This request is in response to the immediate need to permanently fill the CEO position in order to establish leadership in the medical center. Mr. Belmont was engaged by UCI when the previous incumbent retired; his contract with UCI expires in March 2010.

This position will be funded by medical center operating revenue. The proposed base salary of \$630,000 represents a 4.6 percent reduction to Mr. Belmont's current base salary of \$659,000 and is 5.2 percent below the current market

median of \$663,000. Market data provided by Mercer Human Resource Consulting include data from the College and University Professional Association (CUPA) Administrative Compensation Survey. The proposed base salary is below the grade midpoint by 7.8 percent and below the average base salary for other UC medical center CEOs by 5.7 percent. Mr. Belmont will be eligible to participate in the Clinical Enterprise Management Recognition Plan at the same level as all other UC medical center CEOs. Additionally, the proposed salary will be reduced by ten percent to \$567,000 during participation in the salary reduction/furlough plan.

#### Recommendation

The President recommended approval of the following items in connection with the appointment of and compensation for Terry A. Belmont as Chief Executive Officer, UC Irvine Medical Center, Irvine campus:

- (1) Appointment of Terry A. Belmont as Chief Executive Officer, UC Irvine Medical Center.
- (2) Per policy, appointment salary of \$630,000 (SLCG Grade 117: Minimum \$522,300, Midpoint \$679,000, Maximum \$835,800).
- (3) Per policy, eligibility for additional non-base building incentive pay as an eligible participant of the Clinical Enterprise Management Recognition Plan with a target of 20 percent and a maximum of up to 30 percent of annual base salary to be awarded based on meeting performance objectives.
- (4) This appointment is at 100 percent time and is effective January 1, 2010.

#### Recommended Compensation

**Effective Date:** January 1, 2010

**Base Salary:** \$630,000

**Clinical Incentive Plan:** \$126,000 (at target)

**Grade Level:** Grade 117:

Min \$522,300 Mid \$679,000 Max \$835,800

**Median Market Data:** \$663,000 (base salary for CEO position)

**Funding Source:** medical center operating revenue

**Percentage Difference from Market:** -5.2%

#### Budget &/or Prior Incumbent Data

**Title:** Chief Executive Officer

**Base Salary:** \$650,000

**Clinical Incentive Plan:** \$130,000 (at target)

**Funding Source:** medical center operating revenue

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, continued five percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, an annual automobile allowance of \$8,916.

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: UCI Chancellor Drake**  
**Reviewed by: President Yudof**  
**Compensation Committee Chair Varner**  
**Office of the President, Human Resources**

G. *Compensation for James M. Shultz as Executive Director and Chief Operating Officer – Physician Support Services, Health System, Los Angeles Campus*

Background to Recommendation

James M. Shultz assumed significant additional responsibilities, in addition to his current portfolio as Executive Director and Chief Operating Officer – Physician Support Services, when the Faculty Practice Group (FPG) President left UCLA effective September 2, 2009 for an appointment at another academic medical institution, outside UC. These additional responsibilities are related to information technology investment requirements and financing alternatives. In addition, Mr. Shultz will be the primary executive leader for a large revenue cycle project to be transferred from consultants. As a result of these additional duties, the UCLA Health System is requesting additional compensation of 15 percent (\$35,730) for Mr. Shultz effective September 1, 2009 until June 30, 2010, or upon the appointment of a new Faculty Practice Group President if that occurs sooner.

The proposed annual salary for this term is \$273,930 and is well below the market median of \$415,853 for the President position. Market data are taken from the 2009 survey conducted by Medical Group Management Association. The proposed compensation is funded 100 percent by medical center operating revenue. No State General Funds are used for this position. This position is subject to the University's salary reduction/furlough plan.

Recommendation

The President recommended approval of the following items in connection with the appointment of and compensation for James M. Shultz as Executive Director and Chief Operating Officer – Physician Support Services, Health System, Los Angeles campus:

- (1) An annual salary of \$273,930, reflecting the assignment of additional temporary responsibilities for the term effective September 1, 2009 through June 30, 2010 or until a new Faculty Practice Group President is hired, whichever occurs first.

Recommended Compensation

**Effective Date:** September 1, 2009

**Base Salary:** \$273,930

**Clinical Incentive Plan:** \$35,730 (at target, applied to former base salary only)

**Grade Level:** Grade 108:

Min \$192,300 Mid \$244,900 Max \$297,400

**Median Market Data:** \$415,853 (base only for President position; \$259,200 for Exec Dir/COO)

**Funding Source:** Medical center operating revenue

**Percentage Difference from Market:** -34.1% for the President role; 5.7% for the Exec Dir/COO role

Budget &/or Prior Incumbent Data

**Title:** Faculty Practice Group President

**Base Salary:** \$525,000

**Clinical Incentive Plan:** \$78,750 (at target)

**Funding Source:** Medical center operating revenue

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with a target of 15 percent and a maximum potential payout of up to 25 percent of base salary.
- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit 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**

H. *Appointment of and Compensation for A. Eugene Washington, M.D. as Vice Chancellor – Health Sciences and Dean of the David Geffen School of Medicine, Los Angeles Campus*

Background to Recommendation

Approval is requested for the appointment of and compensation for A. Eugene Washington, M.D., M.Sc., as Vice Chancellor – Health Sciences and Dean – David Geffen School of Medicine, Los Angeles campus, effective February 1, 2010. The UCLA campus has concluded a national search and Dr. Washington has been selected as the top candidate for this position. Dr. Washington emerged as the leading candidate because of his extensive experience in the academic medical enterprise setting, and his national leadership in areas such as assessing medical technologies, developing clinical practice guidelines and establishing disease prevention policies, particularly for women's health. He is an internationally renowned clinical investigator and health policy analyst who has been actively engaged in the training of medical students, residents, fellows, and junior faculty at the University of California, San Francisco. Dr. Washington was elected to the Institute of Medicine of the prestigious National Academy of Sciences in 1997. He has received numerous other national and international honors and forms of recognition.

The proposed annual base salary is \$515,000 and is 3.12 percent above the market median of \$499,400. Market data were provided by Mercer Human Resource Consulting using the 2008/2009 College and University Professional Association (CUPA) Administrative Compensation Survey for UC's Full Comparison Group. The proposed base salary is funded 100 percent by UC general funds provided by the State. Health Sciences Compensation Plan funds are derived from medical enterprise revenue. This position is subject to the University's salary reduction/furlough plan.

Recommendation

The President recommended approval of the following items in connection with the appointment of and compensation for Dr. A. Eugene Washington as Vice Chancellor – Health Sciences and Dean – David Geffen School of Medicine, Los Angeles campus:

- (1) Appointment of A. Eugene Washington as Vice Chancellor – Health Sciences and Dean – David Geffen School of Medicine, Los Angeles campus, at 100 percent time, effective February 1, 2010.
- (2) An appointment salary of \$515,000 and Health Sciences compensation (under the Health Sciences Compensation Plan) of \$185,000, for total annual cash compensation of \$700,000.

**Recommended Compensation****Effective Date:** February 1, 2010**Base Salary:** \$515,000**Health Sciences Compensation:** \$185,000**Grade Level:** Grade 114:

Min \$372,900 Midpt \$483,400 Max \$593,800

**Median Market Data:** \$499,400 (base only)**Funding Source:** UC General Funds for base salary and medical enterprise revenue for HSCP**Percentage Difference from Market:** 3.12%**Budget &/or Prior Incumbent Data****Base Salary:** \$530,000**Health Sciences Compensation:** \$207,000**Grade Level:** Grade 114**Funding Source:** Combination of UC General Funds and medical enterprise revenue

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, accrual of sabbatical credits as a member of tenured faculty.
- Per policy, ineligible to participate in the Senior Management Supplemental Benefit Program due to tenured faculty appointment.
- Per policy, reimbursement of costs associated with two trips to secure housing in the Los Angeles area up to a total of \$2,500 for coach airfare, meals and lodging for the candidate and his spouse.
- Per policy, a 25 percent relocation allowance of \$128,750, to be paid in annual installments over three years: 50 percent (\$64,375) in year one, 30 percent (\$38,625) in year two, and 20 percent (\$25,750) in year three. The relocation allowance is subject to repayment on a pro-rated basis, should the appointee leave the University prior to the completion of three consecutive years of service.
- Per policy, reimbursement of temporary housing expenses for up to three months at \$4,000 per month, not to exceed \$12,000 total.

- Per policy, reimbursement of 100 percent of reasonable and allowable expenses associated with moving.
- Per policy, eligibility to participate in the Mortgage Origination Program for a loan of up to \$1.33 million.

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**

I. ***Appointment of and Compensation for Sally J. Marshall as Acting Executive Vice Chancellor and Provost, San Francisco Campus***

Background to Recommendation

Approval is requested for the appointment of and compensation for Sally J. Marshall as Acting Executive Vice Chancellor and Provost (EVCP) at the San Francisco campus. Dr. A. Eugene Washington, current EVCP, has accepted the position of Vice Chancellor for Health Sciences and Dean of the David Geffen School of Medicine at UCLA effective February 1, 2010, pending approval by the Regents. While the search is being conducted for a permanent appointment, primary EVCP responsibilities will be reassigned to Ms. Marshall, UCSF Vice Provost – Academic Affairs, to ensure the operational continuity of the University's research and education missions. In recognition of the complexity and criticality of the additional duties assigned, a 20 percent increase in appointment salary is requested to bring base salary from \$244,900 to \$293,880, effective January 1, 2010, through December 31, 2010, or until the effective date of the appointment of a permanent EVCP, whichever occurs first, and including up to a three-month transition period.

The increase in salary will be funded from State funds and is approximately 23.7 percent less than the previous incumbent's base salary as well as the midpoint of SLCG Grade 112. The proposed base salary of \$293,880 is also well below the market median of \$355,620, as taken from the College and University Professional Association (CUPA) – Administrative Compensation Survey (Full Comparison Group).

Recommendation

The President recommended approval of the following items in connection with the appointment of and compensation for Sally J. Marshall as Acting Executive Vice Chancellor and Provost, San Francisco campus:

- (1) Appointment of Sally J. Marshall as Acting Executive Vice Chancellor and Provost, San Francisco campus.
- (2) Per policy, appointment salary of \$293,880. This represents a temporary 20 percent increase in Ms. Marshall's current salary of \$244,900. Continued classification at SLCG Grade 108 (Minimum \$192,300, Midpoint \$244,900, Maximum \$297,400). Slotting for Acting EVCP is SLCG Grade 112 (Minimum \$298,900, Midpoint \$385,300, Maximum \$471,500).
- (3) Per policy, continued participation in the Health Sciences Compensation Plan (HSCP) at an annual rate of \$16,300.
- (4) This appointment is at 100 percent time and effective January 1, 2010, through December 31, 2010, or until the effective date of the appointment of a permanent EVCP, whichever occurs first, and including up to a three-month transition period.

Recommended Compensation

**Effective Date:** January 1, 2010

**Base Salary:** \$293,880

**Health Sciences Compensation Plan:** \$16,300

**Grade Level:** Grade 112:

Minimum \$298,900, Midpoint \$385,300, Maximum \$471,500

**Median Market Data:** \$355,620

**Funding Source:** State Funds

**Percentage Difference from Market:** -17.4%

Budget &/or Prior Incumbent Data

**Title:** Executive Vice Chancellor and Provost

**Base Salary:** \$385,300

**Health Sciences Compensation Plan:** \$52,300

**Funding Source:** State 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, executive business travel insurance, and executive salary continuation for disability).
- Per policy, accrual of sabbatical credits as a member of tenured faculty.



- Per policy, ineligible to participate in the Senior Management Supplemental Benefit Program due to tenured faculty appointment.

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:** UCSF Chancellor Desmond-Hellmann  
**Reviewed by:** President Yudof  
Compensation Committee Chair Varner  
Office of the President, Human Resources

J. *Appointment of and Compensation for John E. Plotts as Senior Vice Chancellor – Finance and Administration, San Francisco Campus*

Background to Recommendation

Approval is requested for the appointment of John E. Plotts as Senior Vice Chancellor – Finance and Administration (SVC-F&A) at the San Francisco campus. UC San Francisco has concluded a national search for the SVC-F&A and Mr. Plotts has been selected as the top candidate. The SVC-F&A position will report directly to the Chancellor. Based on the scope of duties, the criticality of the Senior Vice Chancellor function, and current market competition, slotting will continue at SLCG Grade 111.

Mr. Plotts is currently the Assistant Vice President of Financial Management at the UC Office of the President. The proposed base salary of \$350,000 for the SVC-F&A position reflects the extremely competitive market for this level of talent in higher education. It is 1.7 percent above the SLCG Grade 111 range midpoint and below the previous incumbent's base salary of \$360,800 by approximately three percent. College and University Professional Association (CUPA) Administrative Compensation Survey data for public and private higher education institutions show a median base salary of approximately \$300,000. This position will be funded by State General Funds.

Recommendation

The President recommended approval of the following items in connection with the appointment of and compensation for John E. Plotts as Senior Vice Chancellor – Finance and Administration, San Francisco campus:

- (1) Appointment of John E. Plotts as Senior Vice Chancellor – Finance and Administration, San Francisco campus.

- (2) Per policy, an appointment salary of \$350,000 (SLCG Grade 111: Minimum \$267,700, Midpoint \$344,000, Maximum \$420,100). This position is subject to the salary reduction/furlough plan with a ten percent salary reduction.
- (3) Per policy, eligibility to participate in the Financial and Administrative Services Incentive Plan (FAS) with a maximum potential payout of up to ten percent of base salary (\$35,000). The FAS Incentive Plan is suspended for fiscal year 2009-2010 pending further budgetary considerations.
- (4) This appointment is at 100 percent time and will be effective subsequent to approval by the Regents at a date determined upon suitable transition notice to Mr. Plotts' current supervisor.

**Recommended Compensation****Effective Date:** Upon Approval of Regents**Base Salary:** \$350,000**FAS (10%):** \$35,000**Grade Level:** Grade 111:

Minimum \$267,700, Midpoint \$344,000, Maximum \$420,100

**Median Market Data:** \$300,000 (base only)**Funding Source:** State Funds**Percentage Difference from Market:** 16.7%**Budget &/or Prior Incumbent Data****Base Salary:** \$360,800**FAS (10%):** \$36,080**Grade Level:** Grade 111**Funding Source:** State 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, executive business travel insurance, and executive salary continuation for disability).
- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit 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: UCSF Chancellor Desmond-Hellmann**

**Reviewed by:           President Yudof  
                                  Compensation Committee Chair Varner  
                                  Office of the President, Human Resources**

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

Committee Chair Varner noted that the Committee had reviewed these ten compensation items which included three exceptions to policy the previous day in closed session. The exceptions are related to the extension of temporary duties beyond a 12-month period with no increases or changes to the recipient's existing compensation.

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

**5.    APPROVAL OF COMPENSATION FOR SENIOR MANAGEMENT GROUP  
      PARTICIPANTS OF THE CLINICAL ENTERPRISE MANAGEMENT  
      RECOGNITION PLAN FOR FISCAL YEAR 2008-09 AS DISCUSSED IN  
      CLOSED SESSION**

Background to Recommendation

It is common practice, prior to the beginning of each fiscal year, for the five UC medical centers to establish a series of financial and non-financial measures consistent with the mission and goals of each clinical enterprise and those of the system. The measures fall into the following categories and are commonly used among medical enterprises as a way of driving performance improvements:

- Quality Improvements
- Financial Performance
- Patient Satisfaction
- People and Other Resource Management
- Key Achievements Against the Strategic Plan

The systemwide goals established for fiscal year 2008-09 included (1) achievement of financial savings through joint purchasing, (2) increase in net revenue, and (3) a patient safety metric of a reduction in the catheter associated blood system infections. The medical centers were successful in all of these areas. The aggregate net revenue systemwide was double the projected amount, and the patient safety metric was improved by 50 percent.

The Clinical Enterprise Management Recognition Plan (CEMRP) is an incentive plan that provides financial awards based on meeting or exceeding targets for quality of care, financial performance and other goals such as patient satisfaction for the health sciences and services system. The plan drives alignment of the five UC medical centers on the achievement of institutional, organizational and individual goals. 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 affect enterprise-wide change and performance. Additional, parallel incentive programs that are aligned with this plan provide incentive opportunities to all levels of employees at the medical centers, including more than 22,000 represented and other staff – nurses, patient care technicians, service and other staff members – ensuring alignment of effort and performance throughout the enterprise. Incentive awards under all plans totaled \$33,705,034 for fiscal year 2008-09. This includes the awards recommended in this action, which total \$3,118,519, only 9.25 percent of the overall cost for all incentive plans at the medical centers.

The incentive payouts recommended for the 38 Senior Management Group (SMG) employees represented in the chart below will bring their total cash compensation to a market competitive level. It is common practice among UC's competitors to provide incentive opportunities to hospital employees. It is important to note that CEMRP puts a larger portion of pay at risk compared to the comparator institutions. As an example, a recent review of market data shows that the median total cash compensation for chief executive officers in the market leads the average base salaries of UC chief executive officers by 26.3 percent. However, after factoring in the incentive pay recommended below, the market median for total compensation for CEOs leads the UC average by just 1.8 percent. This pay-at-risk incentive concept allows the University to pay out awards only if goals are attained thereby rewarding for performance and improvements that benefit the system and the patients.

This incentive plan is funded exclusively through clinical revenue and no State funds are used in the payment of these awards.

#### Recommendation

The President recommended that awards under the Clinical Enterprise Management Recognition Plan (CEMRP), as proposed by the medical centers for 38 eligible Senior Management Group (SMG) participants and totaling \$3,118,519, be approved.

In accordance with the approval authority guidelines approved by the Regents at their September 2008 meeting, and with the SMG Salary and Appointment Policy, also approved by the Regents at their September 2008 meeting, SMG Plan participants are presented for Regental approval. Additional CEMRP payouts under the authority of the chancellors will be presented in the Bi-monthly Transaction Monitoring Report.

Last Name	First Name	Title	Base Salary (as of 6/30/09)	Award as % of Base	Award Amount	Total Base + Award
<i>Irvine Campus</i>						
Zehntner	Maureen	CEO & AVC Health Affairs	\$ 555,000	15.00%	\$83,250	\$638,250
King	Ron	Chief Financial Officer	\$ 431,500	19.00%	\$83,903	\$515,403
Reiser	Lisa	Chief Patient Care Services Officer	\$ 243,000	18.00%	\$44,550	\$287,550

Rayburn	Susan	Executive Director, Contracting Svcs	\$ 212,700	19.00%	\$41,358	\$254,058
Spiritus	Eugene	Chief Medical Officer	\$ 310,000	15.00%	\$46,500	\$356,500

***Davis Campus***

Madden Rice	Ann	Director/CEO	\$ 584,300	28.75%	\$ 167,986	\$752,286
McGowan	Bill	Chief Financial Officer	\$ 419,700	25.00%	\$ 104,925	\$524,625
Johnson	Vincent	COO	\$ 450,000	22.00%	\$ 99,000	\$549,000
Siefkin	Allan	Executive Dir., Clinical Affairs	\$ 342,000	25.00%	\$ 85,500	\$427,500
Minear	Michael	Chief Information Services Officer	\$ 310,000	23.13%	\$ 71,688	\$381,688
Duruissseau	Shelton	Chief Pt. & Admin. Services Officer	\$ 278,320	22.50%	\$ 62,622	\$340,942
Robinson	Carol	Chief Pt. Care Services Officer	\$ 273,300	20.32%	\$ 55,548	\$328,848

***Los Angeles Campus***

Feinberg	David	CEO UCLA Medical Center	\$ 739,695	29.57%	\$ 218,728	\$958,423
Rubin	Amir	COO, UCLA Medical Center	\$ 547,599	24.78%	\$ 135,695	\$683,294
Rosenthal	J. Thomas	CMO, UCLA Medical Center	\$ 431,506	23.78%	\$ 102,612	\$534,118
Staton	Paul	CFO, Hospital System	\$ 380,016	24.78%	\$ 94,168	\$474,184
Crooks	Heidi	Senior Associate Director, Patient Care Services	\$ 266,805	22.78%	\$ 60,778	\$327,583
Shultz	James	COO, Practice Plan	\$ 238,199	24.78%	\$ 59,026	\$297,225
Carpenter	Posie	CAO, SMUCLA Medical Center	\$ 266,805	21.78%	\$ 58,110	\$324,915
Rothman	Judith	Associate V Chanc, Med Sciences/Sr Associate Fin & Admin	\$ 244,300	23.78%	\$ 58,095	\$302,395

***San Diego Campus***

Liekweg	Richard	CEO	\$ 660,500	20.62%	\$ 136,174	\$796,674
Jackiewicz	Thomas	Associate Vice Chancellor	\$ 490,000	23.12%	\$ 113,267	\$603,267
Mcafee	Thomas	Dean of Clinical Affairs	\$ 447,200	23.12%	\$ 103,374	\$550,574
Sonnenshein	Mona	COO	\$ 514,700	19.76%	\$ 101,711	\$616,411
Scioscia	Angela	Medical Director - Med Center	\$ 375,800	18.93%	\$ 71,132	\$446,932
Babakanian	Edward	Chief Information Officer	\$ 284,200	19.76%	\$ 56,161	\$340,361
Hogan	Robert	CFO-Retired but Remains Eligible	\$ 258,500	18.93%	\$ 48,929	\$307,429
Baggett	Margarita	CNO	\$ 252,000	18.93%	\$ 47,699	\$299,699
Giddings	Leland	Medical Director - Mgd Care	\$ 233,200	19.76%	\$ 46,083	\$279,283
Moran	Dennis	Chief Professional Services	\$ 212,700	14.16%	\$ 30,120	\$242,820

***San Francisco Campus***

Laret	Mark	Chief Executive Officer	\$ 739,700	24.50%	\$181,227	\$920,927
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Jones	Ken	Chief Financial Officer (Interim COO)	\$ 470,200	18.96%	\$89,162	\$559,362
Lotenero	Larry	Chief Information Officer	\$ 310,800	21.25%	\$66,045	\$376,845
Harris	John	Chief Strategy and Business Development Officer	\$ 298,800	21.15%	\$63,196	\$361,996
Moore	Susan	Director, Finance (Interim CFO)	\$ 234,500	22.71%	\$53,261	\$287,761
Antrum	Sheila	Chief Nursing/Patient Care Svcs Officer	\$ 250,000	19.86%	\$49,656	\$299,656

***Office of the President***

Stobo	John	Senior Vice President - Health Sciences	\$ 580,000	15.00%	\$87,000	\$667,000
Munoz	Santiago	Associate Vice President – Clinical Services Development	\$ 201,400	20.00%	\$40,280	\$241,680

The compensation described above shall constitute the University's total commitment regarding incentive compensation 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.

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

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

**6. APPROVAL OF APPOINTMENT OF AND TOTAL COMPENSATION FOR NATHAN E. BROSTROM AS EXECUTIVE VICE PRESIDENT – BUSINESS OPERATIONS, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

Nathan E. Brostrom has been the interim Executive Vice President – Business Operations while maintaining his responsibilities as Vice Chancellor, Administration at UC Berkeley. No salary increase was given when he assumed these additional responsibilities in September 2009. During this time, Mr. Brostrom has overseen the successful completion of a number of organizational and budgetary initiatives at the Office of the President and across the UC system.

The President launched a national search in September last year, attracting highly qualified candidates from higher education, private enterprise, and the government/public sector. The search has concluded and Mr. Brostrom has been selected as the successful candidate.

Mr. Brostrom's unique experiences in the public and private sectors caused him to emerge as the clear choice for this position. He was extremely effective as Vice Chancellor, Administration for the Berkeley campus; his appointment began in March 2006. In this capacity he was responsible for the campus budget, finances and related processes, as well as human resources, procurement, campus safety, transportation, environment, recreation, counseling and health, and other business services. He had significant accomplishments in all these areas.

Before joining UC, Mr. Brostrom was the Manager, Western Region Public Finance Group for J.P. Morgan Securities in San Francisco, a position he held for nearly three of his ten years with the firm. Prior to this, Mr. Brostrom held increasingly responsible roles with Merrill Lynch Capital Partners, J.P. Morgan, the California State Treasurer's Office, and Quarterdeck Investment Partners. Mr. Brostrom has his B.A. from Stanford and M.S. from Princeton University. In his capacity as the head of the Western Region Public Finance Group for J.P. Morgan, Mr. Brostrom oversaw the largest municipal deal in U.S. history at that time, an \$11.3 billion bond sale for the State of California. He also worked for then California State Treasurer Kathleen Brown, managing financings and helping to develop economic development programs in underserved areas of California.

Market data provided by Hewitt Associates include data from the College and University Professional Association (CUPA) Administrative Compensation Survey. These data show a median base salary of \$433,630. Mr. Brostrom's proposed compensation of \$375,000 will be 13.5 percent below the market median and 9.9 percent below the salary of the previous incumbent. In addition, market data reflect additional incentive pay ranging from 10 to 20 percent of base salary at other educational institutions; there is no incentive pay for this appointment.

This position is also subject to the systemwide salary reduction/furlough plan, which will result in Mr. Brostrom's effective salary being \$337,500 while the furlough plan is in effect. This position is funded 100 percent by UC general funds.

#### Recommendation

The President recommended approval of the following items in connection with the appointment of and compensation for Nathan E. Brostrom as Executive Vice President – Business Operations, Office of the President:

- A. Appointment of Nathan E. Brostrom as Executive Vice President – Business Operations, Office of the President.
- B. An appointment salary of \$375,000 (SLCG Grade 113: Minimum \$333,900, Midpoint \$431,500, Maximum \$529,100).
- C. This appointment is at 100 percent time and will be effective February 1, 2010.

Additional items of compensation include:

- Per policy, continuation of standard pension and health and welfare benefits.
- Per policy, continuation of the Senior Management benefits including a five percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, an annual automobile allowance of \$8,916.

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.

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

Committee Chair Varner noted that he interviewed Nathan E. Brostrom and was impressed with Mr. Brostrom's background and knowledge, and with his thoughts on how the University can move forward with some of the difficult issues it faces.

Chairman Gould expressed his support for Mr. Brostrom. He stated that Mr. Brostrom will provide exceptional value to the University.

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

7. **APPROVAL OF PROPOSED OUTSIDE PROFESSIONAL ACTIVITIES POLICY FOR SENIOR MANAGEMENT GROUP MEMBERS**

The President recommended:

- A. Approval of the proposed Policy on Senior Management Group Outside Professional Activities and the format of the annual report to be submitted to the Regents on compensated outside professional activities (OPA), effective January 1, 2010, as shown in Attachment 1.
- B. Rescission of the Policy on Outside Professional Activities of the President, Principal Officers of the Regents, and Officers of the Regents, effective January 1, 2010, as shown in Attachment 2.
- C. Rescission of the Interim Policy on Outside Professional Activities for University Officers and Designated Staff, effective January 1, 2010, as shown in Attachment 3.

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



Committee Chair Varner recalled that this policy on outside professional activities was presented for discussion in November 2009. Following the November meeting, the Academic Senate provided comments on the proposed policy, and it was also disseminated across the University for employee comment.

The proposed outside professional activities policy is part of the overall framework of policies related to senior management compensation at the University. The proposed policy presented with this item is intended to consolidate information pertaining to outside professional activities into a single, clear and comprehensive policy document. The proposed policy is presented in the revised template, which clearly identifies approval authority, reporting and compliance requirements, and accountable policy officers.

Regent Stovitz stated that he supported this policy as a modernization of UC policies. His concern was limited to service by Senior Management Group members as director on the board of a private, for-profit corporation, which includes a fiduciary obligation. He noted that he had shared his concerns with the Chairman, Office of the President leadership, and the Department of Human Resources. He looked forward to working with the presenters and the Chairman on guidance regarding conflict of interest.

Committee Chair Varner responded that Regent Stovitz's comments were being taken into consideration.

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

8. **BI-MONTHLY TRANSACTION MONITORING REPORT – JANUARY 2010**

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

Committee Chair Varner explained that this bi-monthly transaction monitoring report was a regular report to the Regents, established as a key component of the governance model and approved by the Regents in September 2008. This item presents the required information for the covered population, representing actions taken by the chancellors and President since the last meeting.

9. **REPORT OF ACTIONS TAKEN UNDER THE DELEGATION OF AUTHORITY FOR RECRUITING AND NEGOTIATION PARAMETERS FOR CERTAIN ATHLETIC POSITIONS AND COACHES, SYSTEMWIDE**

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

Committee Chair Varner indicated that this was an information item, a report to the Regents of actions taken under the Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches. At the September 2008 meeting, the Regents approved amendments to the Delegation of Authority; the original delegation was made by the Regents in July 2007 and allows campuses to take immediate action within delegated parameters.

The meeting adjourned at 11:00 a.m.

Attest:

Secretary and Chief of Staff

# Senior Management Group Outside Professional Activities



**Responsible Officer:** Vice President–Human Resources

**Responsible Office:** Human Resources

**Effective Date:** January 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 Designation and to Whom Responsible](#).

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**I. Policy Summary**

**II. Policy Definitions**

**III. Policy Text**

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**V. Compliance**

**Revision History**

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**Related Documents**

**Frequently Asked Questions**

**Senior Management Group Outside Professional Activities**

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**I. POLICY SUMMARY**

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Considerable benefit accrues to the University from Senior Management Group (SMG) members' association with external educational and research institutions, not-for-profit professional associations, federal, state and local government offices and private sector organizations. Such associations foster a greater understanding of the University of California and its value as a preeminent provider of education, research, public service, and health care. Such associations also may provide a stimulus for economic development and enhanced economic competitiveness.

While outside professional activities performed by SMG members are often mutually beneficial to the University and the members themselves, and are therefore encouraged, the primary commitment of University of California SMG members must be to the fulfillment of their regular University responsibilities.

This Policy applies to all University of California SMG members, including those who have underlying faculty appointments. During the period an SMG member possesses a dual academic and SMG appointment, his/her participation in outside professional activities will be subject to this policy and not that of the Academic Personnel Manual.<sup>1</sup> and is This Policy is intended to:

- Support and recognize the value of SMG members' outside professional activities to the University, such as contributing to their academic field, sharing their expertise with other institutions, and providing service to the community,
- Provide guidance about the limits of such activities in relation to fulfilling University responsibilities,
- Establish methods for seeking appropriate approval(s), monitoring, and reporting such activities,
- Protect against actual or apparent conflicts of interest and/or commitment when SMG members engage in such activities.

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**II. POLICY DEFINITIONS**

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**Approving Authority:** The person or office to whom an individual reports. For SMG members who report directly to the Regents, the Chair of the Board of Regents Committee on Compensation will be the approving authority.

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<sup>1</sup> ~~During the period an SMG member possesses a dual academic and SMG appointment, his/her participation in outside professional activities will be subject to this policy and not that of the Academic Personnel Manual.~~ Outside activities for SMG members who are also members of the Health Sciences Compensation Plan ~~are subject to this policy as well as~~ must also be reported consistent with APM – 670, the Health Sciences Compensation Plan and Guidelines on Occasional Outside Professional Activities by Health Sciences Compensation Plan Participants and APM – 025, Conflict of Commitment and Outside Activities of Faculty Members.

**Senior Management Group Outside Professional Activities**

**Activities Regarded as Outside Professional Activities:** Outside Professional Activities are those activities within the SMG member's area(s) of professional expertise for which they are employed by the University. Such activities include, but are not limited to: service on state or national commissions, government agencies and boards, committees or advisory groups to other universities, organizations established to further the interests of higher education, not-for-profit organizations, and service on corporate boards of directors.

**Activities Not Regarded as Outside Professional Activities:** The following are **not** regarded as Outside Professional Activities:

- Activities unrelated to the SMG member's area of professional expertise for which they are employed by the University, such as involvement in religious or cultural organizations.
- Activities that the approving authority confirms as part of the individual's job expectations. It is expected that the individual would not receive additional compensation for such activities beyond the individual's normal University salary.
- For an SMG member with an underlying faculty appointment, activities that the approving authority confirms as essential to remaining current in the SMG member's academic field. It is expected that the individual would not receive additional compensation for such activities beyond the individual's normal University salary.

**Exception to Policy:** An action that exceeds what is allowable under current policy or that is not expressly provided for under 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.

**Governance responsibilities** on a for-profit board are assumed with the appointment as a board member, but not assumed with the appointment as an advisor to the board or appointment to an advisory committee to a board unless such responsibilities are specified.

**Senior Management Group:** Individuals whose career appointment is in the Senior Management Group personnel program. Employees with a dual academic appointment at 0% shall be considered to possess a career appointment in the Senior Management Group.

**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. Responsibility and Accountability***

##### **1. Guiding Principles**

SMG members are individually responsible for ensuring that the Outside Professional Activities they perform, and compensation received for such

**Senior Management Group Outside Professional Activities**

activities, do not violate conflict of commitment and/or conflict of interest standards of the University. SMG members have a duty of loyalty to the University, as well as a primary fiduciary responsibility to the University.

Each SMG member's approving authority is personally responsible for monitoring, evaluating, and verifying that the SMG member's Outside Professional Activities comply with University policies and State of California law.

Ultimately, SMG members and their approving authorities are accountable to the President and the Regents for ensuring that conflicts do not occur. For SMG members who report directly to the Regents, the Chair of the Board of Regents Committee on Compensation will be the approving authority.

## 2. Approval and Assessment

All Outside Professional Activities, whether compensated or uncompensated, must be approved by the person or office to whom an individual reports before the SMG member engages in the activity. For SMG members who report directly to the Regents, the Chair of the Board of Regents Committee on Compensation will be the approving authority.

An SMG member's approving authority is responsible for assessing whether a proposed Outside Professional Activity might create, or appear to create, a conflict of interest or commitment. In general, the proposed activity must be compatible with the SMG member's University duties. Other important factors for consideration include:

- Will the activity compete with the SMG member's regular and/or expected University duties? An assessment of the SMG member's performance is an appropriate factor to be considered.
- Will the SMG member be precluded from making decisions within the scope of his/her University duties due to a financial conflict associated with the activity (e.g., a fiduciary responsibility to the external entity, payments received from the external entity)?
- Will the time necessary to successfully perform the activity interfere with the SMG member's ability to fulfill his/her University duties?

If the answer to any of these questions is "Yes," the approving authority should seek written guidance from the appropriate University office (e.g., Human Resources; Office of Ethics, Compliance and Audit Services; or legal counsel) in order to resolve the matter with the SMG member.

► The form documenting the assessment/approval process for all Outside Professional Activities can be found at: [link]

## **B. Outside Professional Activities: Definitions and Limits**

### 1. Uncompensated Outside Professional Activities

Uncompensated activities are Outside Professional Activities for which the SMG member does not receive compensation or donates the full amount of the compensation to the University or a charitable organization. Compensation donated to the University may not be returned to the individual.

**Senior Management Group Outside Professional Activities****2. Compensated Outside Professional Activities**

Compensated activities are Outside Professional Activities for which the SMG member receives and retains compensation.

Reimbursement for reasonable travel expenses is not considered compensation for the purpose of this policy.

**3. Limits on Compensated Outside Professional Activities**

- a. In addition to considering the reporting guidelines set forth below, when assessing proposed activities, approving authorities must be mindful of the following limits:
  - i. An SMG member may serve simultaneously on up to three for-profit boards that are not entities of the University of California for which s/he receives compensation and for which s/he has governance responsibilities. Service as a member of the Board of Directors would constitute governance responsibility. Service on an advisory committee likely would not constitute governance responsibility.
  - ii. An SMG member will be required to use his/her personal time to engage in compensated Outside Professional Activities, by either performing such activities outside his/her usual work hours or debiting accrued vacation time consistent with applicable leave policy.
  - iii. An SMG member who is appointed at 100 percent time shall not receive additional compensation for any work or services from an entity managed exclusively by the University, regardless of source or type of payment, with the exception of University Extension (UNEX). Additional restrictions pertaining to compensation from University entities, addressed in other SMG policies, are incorporated by reference into this policy. [SMG Salary and Appointment](#) addresses this restriction.

**C. Reporting Outside Professional Activities**

Each SMG member must file a report with his/her approving authority each year detailing all Outside Professional Activities (whether compensated or uncompensated) that were performed during the previous calendar year. Service or compensation that inadvertently is not reported or is erroneously reported in the calendar year immediately following the activity shall be reported as soon as the omission or error is known to the individual and the approving authority.

- a. Employees who step down from their SMG appointment but remain employed by the University, are subject to this reporting requirement for the calendar year in which they served in a career SMG position.
- b. Employees serving in an acting SMG capacity are not subject to this reporting requirement, unless they also possess a career appointment in an SMG position.
- c. Only activities that occurred once an employee became an SMG member shall be reported.

**Senior Management Group Outside Professional Activities**

► The form documenting the assessment/approval process for all Outside Professional Activities can be found at: [\[link\]](#)

**1. Uncompensated Outside Professional Activities**

As detailed in section III.C above, each SMG member must file an annual report with his/her approving authority detailing all Outside Professional Activities, including activities compensated as well as uncompensated.

► A sample of the Annual Report by individual SMG members listing all compensated and/or uncompensated Outside Professional Activities ~~is attached and~~ can be found at: [\[link\]](#)

A separate annual report will be made to each of the Chancellors, the Laboratory Director and the Executive Vice President—Business Operations of all uncompensated outside professional activities covered by this policy for SMG members at their respective locations that occurred the previous calendar year.

► A sample of the Annual Report by SMG members' approving authorities to Chancellors, Laboratory Director and Executive Vice President Business Operations of all uncompensated Outside Professional Activities ~~is attached and~~ can be found at: [\[link\]](#)

The Chancellor, Laboratory Director or Executive Vice President Business Operations will assess and maintain the reports of all uncompensated Outside Professional Activities.

In an annual report to the President, The Chancellors, the Laboratory Director and the Executive Vice President Business Operations shall acknowledge receipt of a comprehensive set of reports that includes all employees who meet the criteria detailed in Section III.C. above, and confirm that no instances of conflict of interest or conflict of commitment were apparent within the reports of all uncompensated Outside Professional Activities for their location.

**2. Compensated Outside Professional Activities**

As detailed in section III.C above, each SMG member must file an annual report with his/her approving authority detailing all Outside Professional Activities, including activities compensated as well as uncompensated.

► A sample of the Annual Report by individual SMG members listing all compensated and/or uncompensated Outside Professional Activities can be found at: [\[link\]](#)

Deferred compensation shall be reported in the year in which the compensation was granted, not received. If the amount of the deferred compensation is unknown during the year in which the service is performed, such as in the case of royalties, the compensation shall be reported when it is known.

The Chancellors, the Laboratory Director and the Executive Vice President Business Operations will make a separate report to the President, who will in turn report to the Regents all compensated Outside Professional Activities covered by this policy for SMG members that occurred the previous calendar year.



**Senior Management Group Outside Professional Activities*****D. Conflict of Interest and/or Commitment*****1. Conflict of Interest**

No SMG member may make, participate in the making, or influence a governmental decision in which he or she has a financial interest as defined by the Political Reform Act. <http://ucop.edu/ogc/coi/econinterest.html>, <http://www.ucop.edu/ucophome/policies/bfb/bus78/>, <http://www.ucop.edu/ucophome/policies/bfb/g39.pdf>

**2. Conflict of Commitment**

Conflict of commitment is a subjective judgment made either by the SMG member or his/her approving authority at the time approval is requested to pursue an outside professional activity. This subjective judgment shall determine whether or not a conflict is created -- either by the time required to reasonably fulfill the outside professional activity, and/or by an incompatibility between the outside professional activity and the SMG member's responsibilities to the University.

**3. Actual or Apparent Conflict of Interest and/or Commitment**

Instances may occur in which there is an appearance of a Conflict of Interest even though the SMG member does not have a financial interest in the decision as defined by the Political Reform Act. SMG members are expected to conduct themselves with integrity and good judgment and must avoid the appearance of favoritism in all of their dealings on behalf of the University.

The responsibility for determining and disclosing whether an actual or apparent Conflict of Interest and/or Commitment reasonably may occur rests first with the individual SMG member and then with his/her approving authority.

In the event the SMG member or his/her approving authority either anticipates an apparent or recognizes an actual Conflict of Interest and/or Commitment, a full written disclosure must be reviewed by the appropriate administrator.

***E. Use of University Resources***

The University of California has a responsibility for the stewardship of University resources and is committed to compliance with University policies and procedures regarding the use of University resources. See [Business and Finance Bulletin BUS-29, Section XIII](#) and [UC Whistleblower Policies](#).

The use of the name, logo, seal, or letterhead of the University of California or any University laboratory facility or entity in the conduct of any outside activity is prohibited at all times.

Incidental and occasional personal use of University equipment, services and supplies is permitted within the University, so long as such use does not disrupt or distract from University business (due to volume, frequency, or intent).

Approval of any proposed Outside Professional Activity that includes use of University facilities, equipment, services, or supplies will be conditioned upon reimbursement to the University for costs resulting from such use.

**Senior Management Group Outside Professional Activities**

Incidental and occasional personal use of electronic resources is subject to local regulations and must comply with existing [University of California Electronic Communications Policy](#).

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**IV. APPROVAL AUTHORITY**

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**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 the *Senior Management Group Compensation Policy Principles* and other governance policies.

**C. Approval of Actions**

All actions within this policy must be approved by the person or office to whom an individual reports. For SMG members who report directly to the Regents, the Chair of the [Board of Regents](#) ~~Committee on Compensation~~ is the approving authority for actions within this policy. All actions that exceed this policy or that are not expressly provided for under any policy applicable to SMG members must be endorsed by The President and shall be approved by the Regents.

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**V. COMPLIANCE**

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**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 management office to be responsible for the ongoing reporting of policy compliance, including collecting all relevant data 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

**Senior Management Group Outside Professional Activities**

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 to 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 for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews](#).

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 least three times per fiscal year.

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**REVISION HISTORY**

As a result of the issuance of this policy, the following documents are rescinded:

- Interim Regental Policy on Outside Professional Activities for University Officers and Designated Staff, dated January 18, 2007
- Presidential Policy on Outside Professional Activities for University Officers and Designated Staff, dated July 1, 1995
- Guidelines for the Policy on Outside Professional Activities for University Officers and Designated Staff, dated June 1, 2000)
- Letter of Clarification Regarding Annual Reporting Requirements Under Both APM-025 and the University's Policy on Outside Professional Activities for University Officers and Designated Staff, dated December 1, 2005
- Regental Policy on Outside Professional Activities of the President, Principal Officers of the Regents, and Officers of the Regents, dated March 17, 1995

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**IMPLEMENTATION PROCEDURES** [to be developed as needed to support implementation]

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**Senior Management Group Outside Professional Activities**

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**RELATED DOCUMENTS**

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- [\*APM – 025, Conflict of Commitment and Outside Professional Activities of Faculty Members\*](#)
- [\*APM – 240, Deans\*](#)
- [\*APM – 670, the Health Sciences Compensation Plan and Guidelines on Occasional Outside Professional Activities by Health Sciences Compensation Plan Participants\*](#)
- California Political Reform Act of 1974,  
<http://www.ucop.edu/ogc/coi/econinterest.html>
- Conflict of Interest – no SMG member may make, participate in the making, or influence a governmental decision in which he or she has a financial interest as defined by the Political Reform Act.  
<http://ucop.edu/ogc/coi/econinterest.html>,  
<http://www.ucop.edu/ucophome/policies/bfb/bus78/>,  
<http://www.ucop.edu/ucophome/policies/bfb/g39.pdf>
- [\*Business and Finance Bulletin BUS-29, Section XIII - Personal Use of Property\*](#)
- [\*SMG Policy 110 – Salary and Appointment\*](#)
- [\*University of California Electronic Communications Policy\*](#)
- [\*University Whistleblower Policies\*](#)

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**FREQUENTLY ASKED QUESTIONS** [to be developed as needed to support implementation]

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Outside Professional Activity Final Report  
 (Compensated) Activities  
 Reporting Year: January 1, 2008 to December 31, 2008  
 Location: ALL

Employee Name	Location	Working Title	Time Served (Hrly)*	Vacation Taken (Hrly)	Cash Comp (\$)	Deferred Comp (\$)	Other Description Comp (\$)	Grant Type	# Granted	Strike Price Per Share(\$)	Comments
Gemesis	P	Board Member and Research Advisor	16	16		0		Stock Options	4,000	1.00	In 2006 Gemesis donated 2 crystal growth machines and samples to UCR for research purposes.
Solexant, Inc.	P	Board Member	48	48	\$50,000			Stock Options	400,000	.05	
Invitrogen, Inc.	P	Scientific Advisory	22	16	\$40,000						
SEEO, Inc.	P	Board Member	8	0	\$25,000			Stock Options	25,000	.04	
Trident Capital Management	P	Board Member	4	0	\$20,000						
Americal Chemical Society	N	Editor	156	0	\$50,000						
American Nurses Credentialing Center	P	Consultant	81	81	\$22,500						
University of North Carolina Chapel Hill	N	Chair	16	16	\$1,500						
National Institutes of Health	N	Scientific Adv Cmte									
University of Edmonton	N	Digestive Diseases Ctr Review panel member	16	16	\$400						
University of Nebraska	N	Lecturer	32	32	\$500						
University of Tennessee	N	Lecturer and seminar speaker	16	16	\$500						
Texas Tech University	N	Seminar speaker	16	16	\$250						
	N	Workshop	24	24	\$500						

## ATTACHMENT 2

Additions shown by underscoring; deletions shown by strikethrough

### ~~POLICY ON OUTSIDE PROFESSIONAL ACTIVITIES OF THE PRESIDENT, PRINCIPAL OFFICERS OF THE REGENTS, AND OFFICERS OF THE REGENTS~~□

For the purpose of codifying and clarifying long-standing University practice, The Regents establish the policy described below pertaining to outside professional activities, including paid service on corporate boards, for the President, Principal Officers of The Regents, and Officers of The Regents.

1. Service to outside public or private organizations may include professional and creative activities that benefit the state, the nation, and the public at large.
2. Service on behalf of national commissions, government agencies and boards, advisory groups to other universities, and other nonprofit organizations is encouraged and may be undertaken during regular work time, subject to conditions established in University policies and implementing procedures, including provisions for receipt of honoraria and reimbursement for travel and per diem expenses incurred.
3. If compensation is received for service on a corporate board:
  - a. Such service by the President and Principal Officers of The Regents shall be subject to review and prior written approval by the Chairman of the Board and shall be reported to The Regents at the next meeting following the approval. In the case of an Officer of The Regents, the review and prior written approval of such service shall be the responsibility of the appropriate Principal Officer of The Regents.□
  - b. Vacation leave shall be used if such service takes place during regular work time. Reporting of time will be consistent with University personnel policies and the Fair Labor Standards Act status of the Officer.□
  - c. The President, Principal Officers of The Regents, and Officers of The Regents shall be subject to the policy on outside professional activities for faculty. □
  - d. All other applicable University personnel policies and the University of California Conflict of Interest Code shall apply to service to outside organizations.

## ATTACHMENT 3

Additions shown by underscoring; deletions shown by strikethrough

### ~~INTERIM POLICY ON OUTSIDE PROFESSIONAL ACTIVITIES FOR UNIVERSITY OFFICERS AND DESIGNATED STAFF~~□

(1) This interim policy shall apply to all University employees who are members of the Senior Management Group or who are Designated Officers of the University, hereafter referred to as “Designated Employees”.

(2) Service on a for-profit board that is not an entity of the University of California, for which the Designated Employee receives compensation and for which the Designated Employee has governance responsibilities, herein after referred to as the Designated Board, shall not exceed three such Designated Boards unless approved in advance and in writing by the Chair of the Compensation Committee of The Regents and the President.

(3) Any such service on any Board including Designated Board(s) shall not negatively impact any employee's, including any Designated Employee's, ability to perform their duties and responsibilities, nor result in any potential conflict of interest, related to their University of California position(s).

(4) The time required by the Designated Employee to perform their obligations on a Designated Board(s) shall occur during non-University business hours or the Designated Employee shall utilize their vacation hours.

(5) All Designated Employees shall obtain prior written approval to serve on any Board, including Designated Board(s), from their immediate supervisor.

(6) Board Service in Excess of Three:

A. For those Designated Employees who currently serve on more than three Designated Boards, those individuals shall notify The President of the University of such service and the Designated Boards upon which they serve, and shall divest themselves of those Designated Boards in excess of three such Designated Boards by December 31, 2007.

B. A Designated Employee who currently exceeds the limit set forth in paragraph 2 above and who desires to continue to exceed this limit after December 31, 2007, shall obtain prior approval from the Chair of the Compensation Committee of The Regents and the President prior to December 31, 2007 for such additional Designated Board service. Consideration shall be given to the circumstances surrounding the undertaking of service on any Designated Board in excess of three in determining the ability of the Designated Employee to continue such service.