THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

March 17, 2011

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

Present: Regents Blum, Crane, De La Peña, Gould, Hime, Island, Johnson, Lansing, Lozano, Makarechian, Pattiz, Reiss, Ruiz, Schilling, Torlakson, Varner, Yudof, and Zettel

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

The meeting convened at 9:55 a.m. with Chairman Gould presiding.

1. REPORT OF THE COMMITTEE ON GOVERNANCE

The Committee presented the following from its meeting of March 17, 2011:

A. ***Statement of Expectations of the President of the University***

The Committee recommended that the Statement of Expectations of the President of the University, shown in Attachment 1, be approved.

B. ***Amendment of Bylaw 12.9(a) Governing Service on the Committee on Governance***

The Committee recommended that:

(1) Bylaw 12.9(a) be amended to provide for six members to serve on the Committee on Governance, with staggered terms. At least two members would be replaced each year, and no member would serve longer than three consecutive years. No member would serve as Chair of the Committee for longer than two consecutive years. (The proposed amendments are shown in Attachment 2.)

(2) Pursuant to Bylaw 7.3, the notice requirement in Bylaw 30 be suspended.

C. ***Appointment of Member to the Investment Advisory Group***

The Committee recommended that Robert Samuels be appointed to the Investment Advisory Group for a term to begin April 1, 2011 and to end March 31, 2012.

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

The Board recessed at 10:00 a.m.

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The Board reconvened at 11:20 a.m. with Chairman Gould presiding.

Present: Regents Crane, De La Peña, Gould, Hime, Island, Johnson, Lansing, Makarechian, Reiss, Ruiz, Schilling, Varner, Yudof, and Zettel

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

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

Upon motion duly made and seconded, the minutes of the meeting of January 20 and the meetings of the Committee of the Whole of January 19 and 20, 2011 were approved.

3. **REPORT OF THE PRESIDENT**

President Yudof presented his report concerning University activities and individuals. Seven UC faculty members, including UCLA Chancellor Emeritus Albert Carnesale, have been elected to membership in the prestigious National Academy of Engineering. Membership in the Academy is one of the highest honors an engineer can receive and is reserved for those who have made outstanding contributions to the field.

Younger UC faculty continue to garner praise for their exceptional work. The previous month, it was announced that of the 118 scientists elected to receive Alfred P. Sloan Foundation Research Fellowships, 19 were from UC. The Sloan Research Fellowships are intended to enhance the careers of younger faculty in various scientific fields. Fellows receive a two-year, $50,000 grant to pursue any research they deem appropriate.

Professor Cynthia Kenyon of UC San Francisco has been selected as a recipient of the $1 million Dan David Prize. She is being honored for pioneering research in aging. Her work suggests that genetic or drug-induced extension of lifespan could delay the onset of the diseases of old age, a concept with revolutionary implications.

President Yudof expressed delight at the fact that President Obama has appointed Regent Lozano and UC Berkeley Professor Laura Tyson to the President's Council on Jobs and Competitiveness. The Council is charged with finding new ways to promote growth through investments in American business which will equip workers with the skills needed to succeed, encourage private sector hiring, and attract the best jobs and businesses to the U.S.

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

4. **REPORT OF THE COMMITTEE ON COMPLIANCE AND AUDIT**

Regent Ruiz presented the following from the Committee's meeting of January 20, 2011:

There were six discussion items:

A. ***Update on Loan Programs***

Office of Loan Programs Director Ruth Assily and Assistant Vice President – Financial Services and Controls Dan Sampson outlined the history and features of the Mortgage Origination Program, which facilitates the recruitment and retention of faculty and senior managers and mitigates California housing costs. Since 1984, the University has funded over 5,000 loans totaling more than $2 billion. Chief Financial Officer Taylor discussed challenges for the program and sales of loans on the secondary market, and noted that if any future modifications to the program are needed, they would be taken to the Committee on Finance for action.

B. ***Health Care Reform and Compliance/Audit***

Senior Vice President Stobo discussed how national health care reform would affect the University's health care enterprise. In order to maintain their tax-exempt status, UC medical centers will be required to provide increased documentation of the benefit they provide to their communities and to publicize their processes for handling charity care. Dr. Stobo reported on the current status of implementation of electronic health records at UC and the renewal of California's Medicaid waiver.

C. ***Health Sciences Activities in Compliance***

UC San Diego Assistant Vice Chancellor – Audit and Management Advisory Services Stephanie Burke discussed the allocation of audit, compliance, and line management responsibilities at UCSD, risk management, and the campus audit plan. UCSD Chief Compliance and Privacy Officer – Health Sciences Kathleen

Naughton provided an overview of the campus' health sciences compliance program, including response to external audits, patient information security, and billing accuracy.

D. ***Health Sciences Activities in Audit***

UC Davis Health System Associate Audit Director Jeremiah Maher commented on challenges in the health care revenue cycle such as decentralized patient registration, negotiation with a multiplicity of insurance companies and plans, and laboratory test billing. UCLA Health Sciences Audit Manager Sherrie Mancera reported on UCLA physician clinic audits and campus responses to the risk of fraud due to limited front office staffing and its impact on segregation of responsibilities. UCSD Health Sciences Audit Manager Terri Buchanan discussed the results of a recent review of the campus' electronic health record system.

E. ***Quarterly Internal Audit Update***

Chief Compliance and Audit Officer Vacca provided an update on internal audit activities for the quarter ended December 31, 2010. There were 42 audit reports, six advisory reports, and 23 investigation reports. Areas of focus during the quarter were fraud management, research, procurement, and information technology security. Audit observations frequently concerned information technology security, cash controls, and safety.

F. ***Quarterly Compliance Update***

Deputy Compliance Officer Lynda Hilliard outlined compliance program activities in key areas: standard of conduct/policies and procedures, governance, education and training, communication and reporting, auditing and monitoring, response and prevention, and enforcement. These activities include review of Health Insurance Portability and Accountability Act (HIPAA) policies, participation in an inter-university compliance consortium, and work with the Academic Senate to streamline mandatory faculty training programs.

Regent Ruiz presented the following from the Committee's meeting of March 15, 2011:

G. ***Appointment of the Regents' External Auditor***

The Committee recommended that the Regents' contract with the current external auditor, PricewaterhouseCoopers, be continued for an additional two-year period, commencing with the fiscal year 2012 annual audit.

H. ***Approval of External Audit Plan for the Year Ending June 30, 2011***

The Committee recommended that the scope of the external audit plan of the University for the year ending June 30, 2011, as shown in Attachment 3, and the fees shown in Attachments 4 and 5, be approved.

Upon motion of Regent Ruiz, duly seconded, the recommendations of the Committee on Compliance and Audit were approved.

5. REPORT OF THE COMMITTEE ON COMPENSATION

The Committee presented the following from its meeting of March 17, 2011:

A. ***Individual Compensation Actions***

(1) ***Change in Personnel Program to Achieve Systemwide Consistency for Certain Incumbents Classified as Senior Management Group Members, Los Angeles and San Diego Campuses***

<u>Background to Recommendation</u>

This item proposed to change the personnel program classification of three assistant/associate vice chancellor positions currently classified in the Senior Management Group (SMG). A systemwide review determined that comparable positions at other campuses are classified in the Management and Senior Professional (MSP) category and are governed by MSP policies. In order to achieve consistency, the following three incumbents and their positions were proposed for reclassification from SMG to MSP:

- Lubbe Levin as Associate Vice Chancellor – Campus Human Resources, Los Angeles campus
- Donald Larson as Assistant Vice Chancellor – Business and Financial Services, and Controller, San Diego campus
- Maxwell Boone Hellmann as Associate Vice Chancellor – Facilities Design and Construction, San Diego campus

<u>Recommendation</u>

The Committee recommended approval of the following actions for the following individuals at the Los Angeles and San Diego campuses:

a. Lubbe Levin, Donald Larson, and Maxwell Boone Hellmann be reclassified from Senior Management Group (SMG) to Management and Senior Professional (MSP) status. This action includes moving from their current Senior Leadership Compensation Group (SLCG) rates to an appropriate MSP salary grade in the MSP structure in effect at their respective campuses.

b. Concurrent with this action, Ms. Levin's, Mr. Larson's and Mr. Hellmann's participation in and contributions to the Senior Management Supplemental Benefit Program will terminate. As an exception to policy, senior management life insurance and executive salary continuation for disability will continue for a period not to exceed five years or until an incumbent no longer holds his or her current position, whichever occurs first. Per policy, all other standard pension and health and welfare benefits will continue in effect.

c. All other employment, compensation, benefits, and other human resources-related actions will be governed by the MSP personnel policies.

d. The above actions to be effective upon approval.

Recommended Compensation – LUBBE LEVIN
Effective Date: Upon approval
Base Salary: $200,000
Total Cash Compensation: $200,000
Grade Level: MSP grade level to be determined by the campus
Personnel Program: Management and Senior Professional (MSP)
Funding Source: State General Funds

Budget &/or Prior Incumbent Data
Base Salary: $200,000
Senior Management Supplemental Benefit (five percent of base salary): $10,000
Total Cash Compensation: $210,000
Grade Level: SLCG Grade 106
(Minimum $154,200, Midpoint $195,200, Maximum $236,100)
Personnel Program: Senior Management Group (SMG)
Funding Source: State General Funds

Recommended Compensation – DONALD LARSON
Effective Date: Upon approval
Base Salary: $159,300
Total Cash Compensation: $159,300
Grade Level: MSP grade level to be determined by the campus
Personnel Program: Management and Senior Professional (MSP)
Funding Source: State General Funds

<u>Budget &/or Prior Incumbent Data</u>
Base Salary: $159,300
Senior Management Supplemental Benefit (three percent of base salary): $4,779
Total Cash Compensation: $164,079
Grade Level: SLCG Grade 104
(Minimum $123,800, Midpoint $155,600, Maximum $187,500)
Personnel Program: Senior Management Group (SMG)
Funding Source: State General Funds

<u>Recommended Compensation – MAXWELL BOONE HELLMANN</u>
Effective Date: Upon approval
Base Salary: $197,600
Total Cash Compensation: $197,600
Grade Level: MSP grade level to be determined by the campus
Personnel Program: Management and Senior Professional (MSP)
Funding Source: Building Project funds

<u>Budget &/or Prior Incumbent Data</u>
Base Salary: $197,600
Senior Management Supplemental Benefit (three percent of base salary): $5,928
Total Cash Compensation: $203,528
Grade Level: SLCG Grade 105
(Minimum $138,200, Midpoint $174,300, Maximum $210,400)
Personnel Program: Senior Management Group (SMG)
Funding Source: Building Project 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.

Submitted by: **UCLA Chancellor Block and UCSD Chancellor Fox**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

(2) ***Interim Re-slotting, Appointment of and Compensation for Suresh Subramani as Senior Vice Chancellor – Academic Affairs, San Diego Campus***

Background to Recommendation

The San Diego campus requested approval for the interim re-slotting, appointment of and compensation for Suresh Subramani as Senior Vice Chancellor – Academic Affairs (SVCAA). This request was in response to the campus' plan to make an announcement regarding the selected candidate immediately following approval in view of the urgent need for multi-year strategic planning as the campus prepares for the anticipated significant budget reduction. While Mr. Subramani has been serving admirably in the Acting SVCAA role, the magnitude of the budgetary response will require substantial programmatic changes over several years that would be difficult for someone in an acting capacity to implement. The campus requested re-slotting of the position from SLCG Grade 111 to SLCG Grade 112 and proposed an annual base salary of $350,000.

Following Paul Drake's retirement from the SVCAA position, Mr. Subramani was appointed as Acting Senior Vice Chancellor – Academic Affairs to provide continuity of leadership and has been serving in this capacity since October 1, 2010. After an extensive national search, Suresh Subramani was selected as the most qualified person to fill the role on an ongoing basis. Mr. Subramani is a Distinguished Professor of Molecular Biology, and before his Acting SVCAA appointment, held a 50 percent academic administrator appointment as Associate Vice Chancellor for Academic Planning and Resources (AVC-AP&R) which he assumed February 1, 2009. As AVC-AP&R, Mr. Subramani was a key advisor to the Senior Vice Chancellor on a wide range of issues including overseeing the implementation of new campus academic programs and initiatives, providing leadership in the planning of resources to meet programmatic and capital program goals, developing the State Capital Improvement Plan, and overseeing the use of technology-enhanced instruction. He has been a member of the UC San Diego faculty since 1981 and is recognized as an outstanding scholar with a wealth of administrative experience, having also served as Chair of the Department of Biology prior to its reorganization as a Division, Associate Dean, and Interim Dean of the Division of Biological Sciences.

Based on the search experience, the market value of the position, internal comparisons, and Mr. Subramani's qualifications, the campus requested continued approval of an annual base salary of $350,000. The proposed salary results in no change to Mr. Subramani's current annual base salary. In addition, the proposed salary is 9.2 percent below the midpoint of SLCG Grade 112 (Minimum $298,900, Midpoint $385,300, Maximum

$471,500) and 5.8 percent below the market median of $371,623. Several of the deans who report to this position earn salaries ranging from $326,100 to $342,800. This position is funded 100 percent from UC general funds provided by the State.

Recommendation

The Committee recommended approval of the following items in connection with the interim re-slotting, appointment of and compensation for Suresh Subramani as Senior Vice Chancellor – Academic Affairs, San Diego campus:

a. Interim re-slotting of the Senior Vice Chancellor – Academic Affairs position from SLCG Grade 111 (Minimum $267,700, Midpoint $344,000, Maximum $420,100) to SLCG Grade 112 (Minimum $298,900, Midpoint $385,300, Maximum $471,500).

b. Per policy, an annual base salary of $350,000.

c. This appointment is at 100 percent time and effective upon approval.

Recommended Compensation
Effective Date: Upon approval
Base Salary: $350,000
Total Cash Compensation: $350,000
Grade Level: SLCG Grade 112
(Minimum $298,900, Midpoint $385,300, Maximum $471,500)
Median Market Data: $371,623
Percentage Difference from Market: 5.8 percent below market
Funding Source: UC general funds provided by the State

Budget &/or Prior Incumbent Data
Title: Acting Senior Vice Chancellor – Academic Affairs
Base Salary: $350,000
Total Cash Compensation: $350,000
Grade Level: SLCG Grade 111
(Minimum $267,700, Midpoint $344,000, Maximum $420,100)
Funding Source: UC general funds provided by the State

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).

- Per policy, 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, 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: **UCSD Chancellor Fox**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

(3) ***Appointment of and Total Compensation for Donald J. DePaolo as Associate Laboratory Director, Energy and Environmental Sciences, Lawrence Berkeley National Laboratory***

Background to Recommendation

Approval was requested for the appointment of and total compensation of $334,000 for Donald J. DePaolo as Associate Laboratory Director, Energy and Environmental Sciences, Lawrence Berkeley National Laboratory (LBNL).

Reporting to the Laboratory Director, the Associate Laboratory Director, Energy and Environmental Sciences, is charged with coordination across organizational lines at the Laboratory in spearheading new, large-scale scientific initiatives, assisting the Laboratory Director and Deputy Director in strategic planning exercises, serving as an exemplar of the Laboratory's culture of excellence in safety and in science, facilitating multidisciplinary collaboration within the Laboratory and across the broader research community, helping to raise the public profile of LBNL and the U.S. Department of Energy's (DOE) National Laboratory system, and representing the Laboratory before senior program officials in the DOE Office of Science. The Associate Laboratory Director, Energy and Environmental Sciences will work collaboratively with other associate laboratory directors, the Deputy Laboratory Director, the Laboratory Director, and staff to accomplish these missions.

In September 2009, the former Associate Laboratory Director, Energy and Environmental Sciences, Arun Majumdar, was nominated by President Obama to be the first Director of the DOE Advanced Research Projects

Agency – Energy. In June 2010, Laboratory Director A. Paul Alivisatos selected Donald J. DePaolo to serve as Acting Associate Laboratory Director – Faculty, Energy and Environmental Sciences while a determination was made to permanently fill the position. Associate laboratory directors are appointed by the Laboratory Director typically from among the scientific division directors and large facility directors, and retain all divisional leadership responsibilities while assuming this additional senior leadership position. Selections are made based on the incumbent's experience and reputation at the Laboratory and across the DOE community, demonstrated excellence in pioneering science, and for experience and future promise in managing large-scale initiatives aligned with the strategic vision of LBNL.

In addition to his role as Acting Associate Laboratory Director – Faculty, Energy and Environmental Sciences, Donald J. DePaolo has been Scientific Division Director – Faculty of the Earth Sciences Division since October 1, 2007, where he leads the Division in pursuit of its mission to address local, national, and global problems focusing on fundamental, cross-cutting science common to many energy resource problems and environmental issues. He has been a professor at UC Berkeley since 1988, and is currently the Class of 1951 Professor of Geochemistry in UC Berkeley's Department of Earth and Planetary Sciences. Mr. DePaolo established and directs the Center for Isotope Geochemistry, a joint research facility of LBNL and UC Berkeley. In spring 2009, he also became the Director of the Center for Nanoscale Control of Geologic CO_2 (a DOE Energy Frontier Research Center). He has authored numerous publications and is the recipient of numerous awards. He served on the DOE Earth Sciences Council Office of Basic Energy Sciences/ Geosciences Program from 1996 to 2007, serving as Program Chair from 2000 to 2007. Currently he serves on the Berkeley Geochronology Board of Directors. He is widely respected by the Laboratory, DOE, campus and the scientific community. This experience makes him very qualified to assume this position.

Recommendation

The Committee recommended approval of the following items in connection with the appointment of and total compensation for Donald J. DePaolo as Associate Laboratory Director, Energy and Environmental Sciences, Lawrence Berkeley National Laboratory:

Per policy, total cash compensation of $334,000 (LBNL Job Code 198.3, Salary Grade N17: Minimum $272,280, Midpoint $349,812, Maximum $427,344) comprised of $330,000 annual base salary paid by Lawrence Berkeley National Laboratory as Associate Laboratory Director, Energy and Environmental Sciences, Lawrence Berkeley National Laboratory, and $4,000 annual stipend paid by UC Berkeley as Director of the Center for Isotope Geochemistry. This amount reflects a 4.96 percent increase to his current total annualized compensation of $318,220.

The source of funds for payment of $330,000 is from DOE funds as provided under the University's contract with DOE. The $4,000 annual stipend paid by UC Berkeley is from State funds.

Recommended Compensation
Effective Date: Upon approval
Total Cash Compensation: $334,000
Grade Level: N17, Job Code 198.3
(Minimum $272,280, Midpoint $349,812, Maximum $427,344)
Funding Source: DOE funds ($330,000) and State funds ($4,000 annual stipend)

Budget &/or Prior Incumbent Data
Title: Acting Associate Laboratory Director – Faculty, Energy and Environmental Sciences
Total Cash Compensation: $318,220
Funding Source: DOE funds ($314,220) and State funds ($4,000 annual stipend)

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
- Per policy, 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 or written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: **Laboratory Director Alivisatos**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

B. ***Merit Increase for A. Paul Alivisatos as Director, Lawrence Berkeley National Laboratory***

Background to Recommendation

A merit increase of 3.2 percent for Lawrence Berkeley National Laboratory Director A. Paul Alivisatos was presented for approval. This request was based on Mr. Alivisatos' outstanding performance in the role of Director, and the proposed merit increase was within the four percent budget allocation for salaries approved by the U.S. Department of Energy (DOE) for federal fiscal year 2011. As provided under the University's management and operating contract with DOE, the source of funds for payment of this compensation item is DOE funds. Any compensation amount approved by the Regents which exceeds the compensation amount approved by DOE will be paid from the fee earned under the University's management and operating contract.

Mr. A. Paul Alivisatos became LBNL's seventh Director in November 2009. After soliciting and receiving input from across the Laboratory, he quickly established and has been actively pursuing five strategic priorities to steward LBNL into the future:

- Planning for a *Next-Generation Light Source*, the first facility capable of producing attosecond x-ray pulses, the timescale needed to capture the movement of electrons.

- Implementing *Carbon-Cycle 2.0 (CC2.0),* a broad, multidisciplinary initiative to help restore balance in the Earth's carbon cycle through energy efficiency, renewable energy development, and carbon capture and storage.

- *Space Planning and Site Development*, a set of near- and intermediate-term steps to address growing space constraints at LBNL and to improve research synergies through greater co-location.

- *Safe and Efficient Operations*, institutionalizing a strong safety culture throughout LBNL, and conducting peer reviews of operations organizations to identify opportunities to realize cost savings and best practices.

- Providing for *Excellent Community Relations*, proactive, broad-based engagement with local community groups, officials, schools, and the general public.

DOE recognized the responsive and accountable leadership of Mr. Alivisatos and his leadership team during fiscal year 2010, as evidenced by its performance evaluation against the notable outcomes identified in the LBNL Performance Evaluation and Measurement Plan for fiscal year 2010.

The salary for the Director of the Laboratory is funded directly from DOE funds. The salary is set at a level that reflects overall performance of LBNL as set forth in the requirements of the management and operating contract between the University and the DOE, the Director's individual performance, alignment with the market, and internal salary relationships with Laboratory personnel.

Recommendation

The Committee recommended approval of the following items in connection with the merit increase for A. Paul Alivisatos as Director, Lawrence Berkeley National Laboratory:

(1) Per policy, merit increase of $13,349 (3.2 percent). The merit increase plus the base salary of $417,155 results in a total annual base salary of $430,504. Director Alivisatos will continue to be slotted in SLCG Grade 112 (Minimum $298,900, Midpoint $385,300, Maximum $471,500).

(2) The effective date of this action is retroactive to October 1, 2010, pending approval.

Recommended Compensation
Effective Date: October 1, 2010
Annual Base Salary: $430,504
Total Cash Compensation: $430,504
Grade Level: SLCG Grade 112
(Minimum $298,900, Midpoint $385,300, Maximum $471,500)
Market Median Data: $450,900
Percentage Difference from Market Median: 4.52 percent below market
Funding Source: DOE funds

Budget &/or Prior Incumbent Data
Annual Base Salary: $417,155
Total Cash Compensation: $417,155
Grade Level: SLCG Grade 112
(Minimum $298,900, Midpoint $385,300, Maximum $471,500)
Funding Source: DOE Funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).

- Per policy, annual automobile allowance of $8,916.
- 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: **President Yudof**
Reviewed by: **Committee on Compensation Chair Varner**
Office of the President, Human Resources

Upon motion of Regent Varner, duly seconded, the recommendations of the Committee on Compensation were approved.

6. **REPORT OF THE COMMITTEE ON FINANCE**

The Committee presented the following from its meeting of March 17, 2011:

A. ***Proposed Continuation of Life-Safety Fee, Berkeley Campus***

The Committee recommended that the life-safety portion of the Berkeley Campus Fee continue at its current level for four years, from summer 2011 through spring 2015, with the following specifications:

(1) All students enrolled at the Berkeley campus during the regular academic year be assessed a mandatory life-safety portion of the Berkeley Campus Fee of $46.00 per student per term from fall 2011 through spring 2015.

(2) Students enrolled in summer 2011, summer 2012, summer 2013, and summer 2014 be assessed a mandatory life-safety portion of the Berkeley Campus Fee at $23.00 per student per enrolled summer term.

B. ***Authorization to Make Additional Contributions toward the University of California Retirement Plan's Annual Required Contribution (ARC) from One or Multiple Sources***

The Committee recommended that the Regents amend *University of California Post-Employment Benefits Recommendations* recommended by the Committee on Finance and approved by the Board of Regents at the December 13, 2010 meeting as follows:

Additions shown by underscoring; deletions shown by strikethrough

The President be delegated authority and discretion to fully fund the Annual Required Contribution (ARC) for the University of California Retirement Plan (UCRP) in the following two phases. From fiscal year (FY) ~~2011~~ 2010-11 through FY 2018-19, the University would contribute to UCRP, to the extent practical, the "modified" ARC, which would include the normal cost plus interest only on the Unfunded Actuarial Accrued Liability (UAAL). Beyond FY 2018-19, the University would contribute the full ARC payment, which would include the normal cost on the pension, interest on the UAAL, and an amount that represents the annual principal contribution of the 30-year amortization of the UAAL. The President may utilize borrowing from the Short Term Investment Pool (STIP), restructuring of University debt, and other internal or external sources to fund the gap between scheduled pension contributions from the University and employees, and the required funding amount~~, as~~ described above, as follows:

A. Transfer funds from STIP to UCRP in FY2010-11 and FY2011-12 for an amount equal to the difference between the approved total UCRP contribution and modified ARC (Normal Cost plus interest only on the UAAL). The STIP transfer shall satisfy the requirements below, and not exceed a total of $2,100,000,000:

(1) The creation of an internal note receivable ("STIP Note") for the amount above, owned by STIP participants.

(2) The ability to set the repayment terms on the STIP Note, not to exceed a maximum of a 30-year amortization period.

(3) Adoption of a waiver to the STIP investment guideline's maximum of five and a half years on investments to accommodate the terms of this STIP Note.

(4) Assessment of all University fund sources making UCRP payments to include an additional amount for principal and interest payments on the STIP Note, divided proportionally based on covered compensation.

(5) For funding sources, such as federal contracts and grants, where interest payments for the STIP Note are not billable as direct program costs, campuses will be required to pay these charges using unrestricted general revenues. These fund sources may also be excluded from the STIP loan repayment if they pre-pay their portion of the modified ARC assessment in FY2010-11 and FY2011-12.

B. Obtain external financing (not to exceed $1,000,000,000) in lieu of the STIP Note if it is expected this option could be accomplished at a lower cost or is more practical for the University. The repayment of this debt shall be from the same University fund sources responsible for making payments as outlined in A. above.

C. Partially restructure the Regents' long-term debt portfolio starting in fiscal year 2010-11, in an amount not to exceed $1,000,000,000, of such long-term debt plus additional related refinancing costs.

D. The combination of the STIP transfer, debt restructuring and the portion of external financing intended to make contributions to UCRP shall not exceed $2,100,000,000.

E. To take all necessary actions related to the STIP transfer, external financing, and debt restructuring and to execute and deliver related financing documents.

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

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

The Committee presented the following from its meeting of March 15, 2011:

A. ***Delegation of Authority to Solicit Federal Grant Funding under the National Institute of Standards and Technology Construction Grant Program***

The Committee recommended that the Regents authorize the President to solicit construction grant funding under the Fiscal Year 2011 National Institute of Standards and Technology *Construction Grant Program* and any renewal of or extension to this construction grant program.

B. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing, Mission Bay Block 20 Housing, San Francisco Campus***

The Committee recommended that:

(1) The 2010-11 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: Mission Bay Block 20 Housing – preliminary plans, working drawings, construction, and equipment – $112,816,000 to be funded from external financing ($82,000,000), gift funds ($30,000,000), and campus funds ($816,000).

To: San Francisco: Mission Bay Block 20 Housing – preliminary plans, working drawings, construction, and equipment –

$112,816,000 to be funded from external financing ($103,000,000), gift funds ($9,000,000), and campus funds ($816,000).

Additions shown by underscoring; deletions shown by strikethrough

(2) The ~~Committee on Finance recommend that~~ President is authorized to obtain external financing ~~be obtained~~ not to exceed ~~$82,00,000~~ $103,000,000 to finance the Mission Bay Block 20 Housing Project, comprised of the following: $82,000,000 of previously approved external financing and $21,000,000 of additional proposed external financing ~~subject to the following conditions~~. The San Francisco campus shall satisfy the following requirements:

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

b. Repayment of debt shall be from the General Revenues of the San Francisco campus and as long as the debt is outstanding, ~~University of California Housing System fees for~~ the General Revenues of the San Francisco campus shall be ~~established at levels~~ maintained in amounts sufficient to pay the debt service and to meet ~~all~~ the requirements of the authorized financing ~~University of California Housing System Revenue Bond Indenture, and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing~~.

c. The general credit of the Regents shall not be pledged.

~~(3) The Committee on Finance recommend to the Regents that interim financing be authorized, not to exceed $30,000,000 prior to construction bidding, for any gift funds not received by that time and subject to the following conditions:~~

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

~~b. Repayment of any interim financing shall be from gift funds and, in the event such gift funds are insufficient, from the San Francisco campus' share of the University Opportunity Fund; and~~

~~c. The general credit of the Regents shall not be pledged.~~

~~(4) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law~~.

~~(5) The Officers of the Regents be authorized to execute all documents necessary in connection with the above.~~

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

C. ***Adoption of Mitigated Negative Declaration, Adoption of Findings, Acceptance of Budget, and Approval of Design, Davis South Valley Animal Health Laboratory – Tulare, Davis Campus***

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

(1) Adoption of the Initial Study and Mitigated Negative Declaration.

(2) Adoption of the Findings and the Mitigation Monitoring and Reporting Program for the project.

(3) Acceptance of the total project budget of $47,452,000, as appropriated to the California Department of Food and Agriculture, for the South Valley Animal Laboratory, Tulare, Davis campus.

(4) Approval of the design.

[The Initial Study, Mitigated Negative Declaration, and Findings were mailed to Committee members in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

D. ***Approval of the Budget for Capital Improvements and the Capital Improvement Program, Approval of External Financing, and Authorization to the President to Determine Compliance with California Environmental Quality Act and Approve Design, Electrical Switching Station 6, Berkeley Campus***

The Committee recommended that:

(1) The 2010-11 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Berkeley: Electrical Switching Station 6 – preliminary plans, working drawings, and construction – $15,200,000 to be funded with external financing.

(2) The President be authorized to obtain external financing not to exceed $15,200,000 ($7,600,000 additional external financing and $7,600,000 external financing from CMS external financing approval – September

2009) to finance the Electrical Switching Station 6. The Berkeley campus shall satisfy the following requirements:

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

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

c. The general credit of the Regents shall not be pledged.

(3) The President be authorized to determine compliance with the California Environmental Quality Act for the Electrical Switching Station 6.

(4) The President be authorized to approve the design of the Electrical Switching Station 6.

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

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

8. **REPORT OF THE COMMITTEE ON INVESTMENTS**

The Committee presented the following from its meeting of February 22, 2011:

A. ***University of California Retirement Plan / General Endowment Pool Asset Allocation Review and Recommendations***

The Committee recommended that the changes to the University of California Retirement Plan (UCRP) and General Endowment Pool (GEP) Investment Policy Statement be adopted with an effective date of March 1, 2011, as shown in Attachments 6 and 7, and summarized in Attachment 8.

B. ***University of California Retirement Plan / General Endowment Pool Investment Policy and Guideline Review and Recommendations***

The Committee recommended that the amendments to Appendices 7L, 7M, and 7N to the Investment Policy Statements of the University of California Retirement Plan (UCRP) and the University of California General Endowment Pool (GEP), as shown in Attachments 9 and 10, be approved, effective April 1, 2011.

Regent Schilling noted that the texts of the attachments to items A. and B. corrected a few non-substantive technical errors in the form that was before the Committee on Investments. Chairman Gould stated that the Board recognized these minor changes.

Upon motion of Regent Schilling, duly seconded, the recommendations of the Committee on Investments were approved.

9. AMENDMENT OF STANDING ORDER 100.4, DUTIES OF THE PRESIDENT OF THE UNIVERSITY, TO EXTEND THE PILOT PHASE OF THE PROCESS OF REDESIGN FOR CAPITAL IMPROVEMENT PROJECTS

At the January 20, 2011 meeting of The Regents of the University of California, Regent Schilling served notice that at the next regular meeting she would move amendment of Standing Order 100.4 as shown below.

Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 100.4

DUTIES OF THE PRESIDENT OF THE UNIVERSITY

***

(q)(1)

Except as provided in paragraph (q)(2) below, the President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed $10 million. The President is also authorized to approve amendments to the Capital Improvement Program for projects exceeding $10 million up to and including $20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Grounds and Buildings and also provided that all actions taken in excess of $10 million up to and including $20 million under this authority be reported at the next following meeting of the Board. However, the following shall be approved by the Board: (1) projects with a total cost in excess of $20 million, (2) for projects in excess of $20 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

(q)(2)

This paragraph shall apply exclusively to capital projects <u>for those campus entities</u> ~~on campuses~~ approved by the Committee on Grounds and Buildings for inclusion in the pilot phase of the <u>Delegated</u> Process ~~Redesign~~ for Capital Improvement Projects.

The President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed $60 million. However, the following shall be approved by the Board: (1) projects with a total cost in excess of $60 million, (2) for projects in excess of $60 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

This paragraph shall become inoperative and is repealed on ~~March 31, 2011~~ March 31, 2014, unless a later Regents' action, that becomes effective on or before ~~March 31, 2011~~ March 31, 2014, deletes or extends the date on which it becomes inoperative and is repealed.

****

(nn)(1)

Except as provided in paragraph (nn)(2) below, The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including $10 million for the planning, construction, acquisition, equipping, and improvement of projects. The President is also authorized to obtain external financing for amounts in excess of $10 million up to and including $20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Finance, and also provided that all actions taken to obtain external financing for amounts in excess of $10 million up to and including $20 million be reported at the next following meeting of the Board. External financing in excess of $20 million requires Board approval. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

(nn)(2)

This paragraph shall apply exclusively to capital projects for those campus entities ~~on campuses~~ approved by the Committee on Grounds and Buildings for inclusion in the pilot phase of the Delegated Process ~~Redesign~~ for Capital Improvement Projects.

The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including $60 million for the planning, construction, acquisition, equipping, and improvement of projects. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

This paragraph shall become inoperative and is repealed on ~~March 31, 2011~~ March 31, 2014, unless a later Regents' action, that becomes effective on or before ~~March 31, 2011~~ March 31, 2014, deletes or extends the date on which it becomes inoperative and is repealed.

Upon motion of Regent Schilling, duly seconded, the amendment of Standing Order 100.4 was approved.

10. REPORT OF INTERIM ACTIONS

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

A. The Chairman of the Board and the Chair of the Committee on Governance approved the following recommendation:

Appointment of Regent to Standing Committee

Effective immediately, Regent Gavin Newsom be appointed to the Committee on Grounds and Buildings through June 30, 2011.

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

(1) ***Appointment of and Total Compensation for Jack Powazek as Administrative Vice Chancellor, Los Angeles Campus***

Background to Recommendation

Action under interim authority was requested for approval of the appointment of Jack Powazek to the position of Administrative Vice Chancellor, Los Angeles campus, at an annual salary of $265,000, SLCG Grade 108, effective July 1, 2011. The position reports jointly to the Chancellor and the Executive Vice Chancellor and Provost.

UCLA's current Administrative Vice Chancellor, Sam Morabito, who has held this position since January 2007 and became Vice Chancellor for Business and Administrative Services in December 2004, has announced his plan to retire at the end of June 2011 following 39 years of exemplary service to the University. In view of the breadth and scope of his role, the need to support a smooth transition in advance of his retirement, as well as the need for additional time to assess future organizational plans, a waiver of recruitment has been endorsed by Chancellor Block in order to promote Mr. Powazek to this critical role following Mr. Morabito's retirement as a component of UCLA's succession planning process. The campus planned to announce this action immediately following approval as part of the transition planning that had already begun and continued in January 2011.

Mr. Powazek is an outstanding candidate to succeed Mr. Morabito and has agreed to serve in this capacity for at least three years. With 36 years of service at UCLA, Mr. Powazek has provided outstanding leadership in his current role as Associate Vice Chancellor for General Services, with responsibilities encompassing facilities management; environment, health and safety; transportation services; emergency management; the police department; and sustainability coordination.

The campus proposed an annual base salary of $265,000 to reflect the extremely competitive market for this level of talent in higher education. According to Mercer Human Resource Consulting, data from the 2009/2010 College and University Professional Association (CUPA) Administrative Compensation Survey, the proposed base salary is 14.8 percent below the market median of $310,976 for the Vice Chancellor of Administration position. The scope and complexity of the Administrative Vice Chancellor position at UCLA far exceeds that of many academic institutions. The source of funds for this position will be Auxiliary Enterprises funding.

Recommendation

The following items were approved in connection with the appointment of and compensation for Jack Powazek as Administrative Vice Chancellor, Los Angeles campus:

a. Appointment of Jack Powazek as Administrative Vice Chancellor, Los Angeles campus.

b. Per policy, an appointment salary of $265,000 (SLCG Grade 108: Minimum $192,300, Midpoint $244,900, Maximum $297,400).

c. This appointment is at 100 percent time and would be effective July 1, 2011.

Recommended Compensation
Effective Date: July 1, 2011
Base Salary: $265,000
Total Cash Compensation: $265,000
Grade Level: SLCG Grade 108
(Minimum $192,300, Midpoint $244,900, Maximum $297,400)
Median Market Data: $310,976
Funding Source: Auxiliary Enterprises
Percentage Difference from Market: 14.8 percent below market

Budget &/or Prior Incumbent Data
Title: Administrative Vice Chancellor
Base Salary: $265,500
Total Cash Compensation: $265,500
Grade Level: SLCG Grade 108
(Minimum $192,300, Midpoint $244,900, Maximum $297,400)
Funding Sources: Auxiliary Enterprise

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

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**
Committee on Compensation Chair Varner
Office of the President, Human Resources

(2) ***Appointment of and Compensation for Tim Maurice as Chief Financial Officer, UC Davis Health System, Davis Campus***

Background to Recommendation

Action under interim authority was requested for the approval of the appointment of and compensation for Tim Maurice as Chief Financial Officer of the UC Davis Health System, effective immediately. Mr. Maurice was identified as the most qualified candidate following a national search, facilitated by the executive search firm SpencerStuart. This urgent request was necessary to provide Mr. Maurice sufficient time to notify his current employer and to relocate from his current residence to the Sacramento area. In addition, the current Chief Financial Officer, William H. McGowan, is planning to retire on or before May 31, 2011, and the campus desired overlap between Mr. Maurice's start date and Mr. McGowan's retirement date to ensure a smooth transition. A prolonged approval process could have resulted in the loss of this outstanding candidate. The campus requested an appointment salary of $400,000 at SLCG Grade 113 (Minimum $333,900; Midpoint $431,500; Maximum $529,100). The requested appointment salary is 4.69 percent lower than Mr. McGowan's current salary of $419,700. This position is funded 100 percent by Medical Center revenue.

Mr. Maurice is currently the Vice President and Chief Financial Officer at St. John's Regional Medical Center and St. John's Pleasant Valley Hospital in Ventura County, California. In his current role, Mr. Maurice is responsible for finance, managed care, patient and financial services, health information management, case management, materials management, pharmacy and information technology. Mr. Maurice also has served in the role of Chief Financial Officer for Good Samaritan Community Healthcare; Sutter Gould Medical Foundation and Sutter Tracy Community Hospital; Doctors Medical Center, Doctors Hospital – Manteca; and at Saint Joseph Mercy – Oakland. Mr. Maurice's past work experience also includes working for two academic teaching hospitals: Virginia Mason Medical Center in Seattle and the University of Washington Hospital and Medical Center.

As Chief Financial Officer for the UC Davis Health System, Mr. Maurice will report directly to the Vice Chancellor for Human Health Sciences/Dean of the School of Medicine and be responsible for managing the $1.6 billion health system enterprise. The Chief Financial Officer is responsible for the overall financial operation of the UC Davis Health System, which includes the School of Medicine, the Betty Irene Moore School of Nursing, UC Davis Medical Center and its clinics, and the Practice Management Group. Mr. Maurice will be responsible for overseeing strategic financial planning and reporting, budgeting, general accounting, operational and capital financial planning, payroll, and accounts payable. Additionally, all School of Medicine, Betty Irene Moore School of Nursing, Medical Center and Practice Management Group staff having line responsibilities for these activities report directly to the Chief Financial Officer. The Chief Financial Officer, in consultation with the Vice Chancellor for Human Health Sciences/Dean of the School of Medicine, the School of Medicine Executive Associate Dean, the Betty Irene Moore School of Nursing Dean, the Medical Center Chief Executive Officer and Practice Management Group Executive Director, has the responsibility for communicating to all staff and faculty the status of the financial condition of the Health System and its units and for proposing various fiscal strategies to ensure continued financial viability. The Chief Financial Officer participates in the long-range planning process for the School of Medicine, Betty Irene Moore School of Nursing, Medical Center and Practice Management Group, and represents financial operations of the Health System on appropriate Health System leadership and Office of the President committees.

Despite the lack of county funding for acute and ambulatory patients and the decline in funding for mental health in Sacramento County, operating income for the UC Davis Health System exceeded the approved budget by approximately $23 million with actual expenses being approximately $51.8 million below budget. Mr. Maurice's 30-plus years of strong financial, strategic, and capital planning experience will be of tremendous value to the UC Davis Health System as the University navigates this period of tremendous change and the uncertainty associated with health-care reform.

This position is funded 100 percent from Medical Center revenue. The weighted market median base salary for chief financial officers with total net revenue at $1 billion or more is $408,720 as provided by Mercer (US), Inc. survey data. The recommended base salary of $400,000 is 2.13 percent below the market median.

Recommendation

The following items were approved in connection with the appointment of and compensation for Tim Maurice as Chief Financial Officer, UC Davis Health System:

a. Per policy, an annual base salary of $400,000 at SLCG Grade 113 (Minimum $333,900; Midpoint $431,500; Maximum $529,100).

b. Per policy, eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with an annual target award of 15 percent of base salary ($60,000) and a maximum award of 25 percent of base salary ($100,000). Actual award will depend upon performance. Eligibility to participate in CEMRP to start on July 1, 2011, for fiscal year 2011-12.

c. Per policy, a relocation allowance of 25 percent of base salary ($100,000), paid within 30 days of employment and subject to a repayment schedule if Mr. Maurice resigns in the first four years of his appointment. The repayment schedule would be as follows: 100 percent if resignation occurs within the first year of employment, 75 percent within the second year of employment, 50 percent within the third year of employment, and 25 percent within the fourth year of employment.

d. Per policy, a temporary housing allowance not to exceed $12,000 for a period of 90 days to offset limited housing-related expenses. If Mr. Maurice voluntarily separates from the University prior to the completion of one year of service, or accepts an appointment at another University location with 12 months from his initial date of appointment, he will be required to repay 100 percent of the temporary housing allowance.

e. Per policy, two house-hunting trips for the candidate and his spouse, subject to the limitations under policy.

f. Per policy, 100 percent reimbursement of actual and reasonable expenses associated with moving household goods and personal effects from the primary residence.

g. Per policy, eligibility to participate in the UC Home Loan Program, in accordance with all applicable policies.

h. This appointment is at 100 percent time, effective immediately upon approval, but no later than April 1, 2011.

Recommended Compensation
Effective Date: Immediately upon approval
Base Salary: $400,000
Clinical Enterprise Management Recognition Program: $60,000
(at 15 percent target rate)
Total Cash Compensation: $460,000
Grade Level: Grade 113
(Minimum $333,900; Midpoint $431,500; Maximum $529,100)
Median Market Data: $408,720
Funding Source: Medical Center revenue
Percentage Difference from Market: 2.13 percent below market

<u>Budget &/or Prior Incumbent Data</u>
Title: Chief Financial Officer
Base Salary: $419,700
Incentive/Bonuses: $62,955 (at 15 percent target rate)
Total Cash Compensation: $482,655
Grade Level: Grade 113
(Minimum $333,900; Midpoint $431,500; Maximum $529,100)
Funding Source: Medical Center 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 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: **UC Davis Chancellor Katehi**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

(3) ***Amendment to Contract Compensation for Jeff Tedford as Head Football Coach, Berkeley Campus***

<u>Background to Recommendation</u>

Action under interim authority was requested to approve an amendment to the current Contract Addendum of Coach Tedford (Current Addendum) to be effective retroactive to January 1, 2011, and extend through the 2015 season, as previously approved.

Consistent with the Current Addendum, which defines the terms of the Employment Contract for Coach Tedford entered into on December 15, 2001, the terms, as revised, may be extended one year for each season (including the bowl season) that the University of California, Berkeley, football team wins nine games. Upon such extension all terms and conditions of the contract will remain in place through the 2015 contract year.

The revisions do not change the total guaranteed compensation payable under the Current Addendum. Instead they eliminate the provision directing payment of a $500,000 retention bonus to Coach Tedford on January 8, 2011 and provide that payment of such amount, adjusted for applicable withholdings, will be made as a contribution on Coach Tedford's behalf to the Deferred Compensation Plan and related excess benefit arrangement. A similar contribution was made on behalf of Coach Tedford in the two prior contract years under the terms of the Current Addendum.

In addition, the pool for football coaching staff available for non-base building compensation recommended by the Coach will be increased from $216,000 to $316,000 in the years 2011 and 2012. Lastly, the bonuses that are payable to Coach Tedford if he is head football coach when the team fully occupies the new stadium and at the first home game in the new stadium are reduced from $250,000 to $150,000.

Coach Tedford confirmed in an Acknowledgment dated December 30, 2010 that he has relied on counsel from his legal, tax and financial advisors in connection with the negotiation of the proposed changes as well as the assessment of risks to him associated with the Deferred Compensation Plan and related excess benefit arrangement as described to him by the University in the cover letter to the Acknowledgement and a separate letter dated December 23, 2008. Both letters indicate Coach Tedford will be responsible to pay any taxes, interest and penalties, if applicable, attributable to the contribution and earnings maintained on his behalf under the excess benefit arrangement and distributed in accordance with the terms of the Deferred Compensation Plan.

Recommendation

The following terms and conditions were approved and reflected in the amendment to the Current Addendum:

a. The retention payment of $500,000 due to Coach Tedford on January 8, 2011 will be eliminated. Instead, the $500,000 will be paid to a Defined Contribution Plan and excess benefit arrangement on behalf of Coach Tedford, subject to appropriate tax withholdings. The previously approved Current Addendum called for a payment to a Defined Contribution Plan in both 2009 and 2010. The amendment to the Current Addendum extends the Defined Contribution Plan payment for one additional year. The amendment also expands the period of time that the Coach can re-open the non-financial terms and conditions of the Retention

Bonus/Plan Contribution paragraph from 31 days to 90 calendar days.

b. An increase from $216,000 to $316,000 in the pool available for contract years 2011 and 2012 for Coach Tedford's use to recommend non-base building compensation for football coaching staff, subject to approval by the Director of Intercollegiate Athletics and in compliance with the University policies and regulations pertaining to compensation. Coach Tedford's criteria for distributing the discretionary account to his staff are based on performances on the field as well as recruiting and academic performances.

c. A decrease from $250,000 to $150,000 each in the bonuses to be paid to Coach Tedford if he is head football coach when the team fully occupies the new stadium and at the first home game in their new stadium.

d. The Current Addendum, as amended, is effective January 1, 2011.

e. All other terms and conditions previously approved by the Regents remain unchanged.

Recommended Compensation
Effective Date: January 1, 2011
Base Salary: $225,000
Talent Fee: $1,575,000
Total Guaranteed Compensation: $1,800,000
Grade Level: Not applicable
Median Market Data: Not applicable
Percentage Difference from Market: Not applicable
Funding Source: athletic revenues and private fundraising

Budget &/or Prior Incumbent Data
Base Salary: $225,000
Talent Fee: $1,575,000
Total Guaranteed Compensation: $1,800,000
Funding Source: athletic revenues and private fundraising

Below are sections from the Current Addendum that were amended.

Additions shown by underscoring; deletions shown by strikethrough

OPENING PARAGRAPH

This Contract Addendum, effective January 1, ~~2009~~ 2011, hereby defines the terms of the Employment Contract entered into on December 15, 2001 between the Regents of the University of California (hereinafter "University" or "management") and Jeff Tedford (hereinafter "Coach"). This Contract Addendum supersedes and replaces all previous contract addenda. All of the terms of the Employment Contract remain as first written unless modified in this Contract Addendum.

PARAGRAPH 9: RETENTION BONUS/PLAN CONTRIBUTION

If Coach is employed by the University of California, Berkeley as Head Football Coach continuously for the period from January 1, 2007 through the completion of the 2008 University of California, Berkeley football season, including post-season play, Coach will receive a retention bonus payment of $500,000. The bonus shall be payable on January 8, 2009.

If Coach is employed by the University of California, Berkeley as Head Football Coach continuously for the period from January 1, 2007 through the completion of the 2008 University of California, Berkeley football season, including post-season play, the University will contribute $500,000, adjusted for withholdings, on behalf of Coach to a defined contribution plan and excess benefit arrangement designed to satisfy certain requirements of the Internal Revenue Code (collectively, "Deferred Compensation Plan"). The University will make a similar contribution, adjusted for withholdings, to the Deferred Compensation Plan on behalf of Coach on January 8, 2010 and as soon as practicable after January 8, 2011 provided Coach continues as Head Football Coach through the end of the applicable University of California, Berkeley football season, including post-season play, for the prior year.

Beginning on January 8, 201~~1~~2 and for each subsequent year of this Employment Contract, if Coach is continuously employed by the University of California, Berkeley as Head Football Coach through the end of the University of California, Berkeley football season, including post season play, for the prior year, University will pay a retention bonus in the amount of $500,000 to Coach. Normal taxes and withholdings will apply to all payments of retention bonuses.

In the event Coach becomes unable to provide the services described herein and this contract is terminated pursuant to Paragraph 9 (as modified by Paragraph 21 in this Contract Addendum), Coach or his assigns shall receive a pro-rata portion of the retention bonus due in that year. The amount of the payment shall be determined by applying a fractional multiplier (number of regular season games played in the relevant time period prior to disability or death of Coach divided by 12) to the relevant contribution or retention bonus payment.

The University and Coach agree ~~to~~ that, if requested by Coach on or before September 1, 2011, the parties will reopen the terms and conditions of this Paragraph 9 ~~on July 1, 2010~~ for a period of ~~31~~ 90 calendar days, provided always that no amendment to this Paragraph shall result in the University's annual financial commitment under this Paragraph exceeding, or being reduced below, the amount of $500,000. If Coach does not initiate such request by September 1, 2011, or if the parties cannot come to agreement within the 90-day period, no amendment will be made to the terms and conditions of this Paragraph 9.

PARAGRAPH 12: SUPPORT FOR COACHING STAFF

A. A pool of $250,000 will be available for coach's use to recommend compensation enhancements for football coaching staff, subject to approval by the Director of Intercollegiate Athletics and in compliance with the University policies and regulations pertaining to compensation.

B. A pool of ~~$216,000~~ $316,000 will be available for contract years 2011 and 2012 for coach's use to recommend non-base building compensation (talent fees) for football coaching staff, subject to approval by the Director of Intercollegiate Athletics and in compliance with the University policies and regulations pertaining to compensation. In the event the University is able to secure other sources of support for football coaching staff, Director of Intercollegiate Athletics may at her sole discretion, reduce or eliminate this fund.

PARAGRAPH 17: RENOVATED STADIUM BONUS

A. Coach shall receive a bonus of ~~$250,000~~ $150,000 if he is the Head Football Coach on the date the University of California Football team fully occupies the Simpson High Performance Center. This amount shall be paid to Coach within thirty calendar days following the date on which the team fully occupies the Simpson High Performance Center.

B. Coach shall receive a bonus of ~~$250,000~~ $150,000 if he is the Head Football Coach on the date that the University of California Football team plays its first home football game subsequent to the completion of Phase II (West Side Improvements). This amount shall be paid to Coach within thirty calendar days following the game.

The compensation set forth in the amended Contract Addendum described above and in the underlying contract with Coach Tedford, except as expressly modified by the amended 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.

Submitted by: **UC Berkeley Chancellor Birgeneau**
Reviewed by: **President Yudof**
Committee on Compensation Chair Varner
Office of the President, Human Resources

11. SUPPLEMENTAL REPORT OF INTERIM ACTIONS

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

The Chair of the Committee on Compensation and the President of the University approved the following recommendation:

Preemptive Retention Adjustment for Jeffrey Fernandez as Chief Financial Officer, Lawrence Berkeley National Laboratory

Background to Recommendation

Action under interim authority was requested for the preemptive retention adjustment for Jeffrey Fernandez as Chief Financial Officer, Lawrence Berkeley National Laboratory (LBNL). The proposed compensation of $284,893 represents a four percent increase to his current total compensation of $273,936.

This interim action was an immediate need required to retain Jeffrey Fernandez as Chief Financial Officer, Lawrence Berkeley National Laboratory, due to recent discussions with another organization regarding a similar position.

The Chief Financial Officer (CFO) reports to the Laboratory Director for all fiduciary, financial and procurement matters concerning Lawrence Berkeley National Laboratory, which has approximately 4,200 employees and an annual budget of $811 million. The Chief Financial Officer is an integral part of the Laboratory's senior management team. The CFO is responsible for leadership and managerial direction of the Laboratory's financial requirements, including procurement, financial planning and budgeting, internal cost controls, and financial accounting and reporting for the Laboratory's financial operations. The CFO acts as the Laboratory's chief spokesperson to the University of California's Office of the President, U.S. Department of Energy (DOE), external agencies and internal groups on matters pertaining to the financial policies, procedures and practices of the Laboratory.

Mr. Fernandez possesses impressive financial credentials and experience along with outstanding leadership skills critical to the success of the Office of the Chief Financial Officer and the Laboratory. Prior to assuming the Chief Financial Officer position at Lawrence Berkeley National Laboratory, he held a series of positions with increasing responsibilities at the Lawrence Livermore National Laboratory. Since assuming the Chief Financial Officer position at Lawrence Berkeley National Laboratory, he has exhibited the highest integrity and impeccable standards. He has successfully led a major reorganization of the Laboratory's financial services. The integrity of the Laboratory's financial processes has proved to be an asset in its relationship with the Department of Energy.

It was critical that the Lawrence Berkeley National Laboratory retain Mr. Fernandez as Chief Financial Officer. His deep and extensive expertise and knowledge of both the University of California and the Department of Energy will be especially important to the Laboratory successfully carrying through on its Financial Systems Modernization Project as well as crafting an optimized financial strategy to bring the Laboratory's Second Campus to fruition.

Recommendation

The following items were approved in connection with the preemptive retention salary adjustment for Jeffrey Fernandez, Chief Financial Officer, Lawrence Berkeley National Laboratory (LBNL):

A. Per policy, a base salary of $284,893 (LBNL Job Code 199.4, Salary Grade N14: Minimum $168,096, Midpoint $252,132, Maximum $336,168) as Chief Financial Officer, Lawrence Berkeley National Laboratory. This represents a four percent increase over his current total annualized compensation of $273,936.

B. Continuation of his appointment at 100 percent time.

C. Effective upon approval.

The source of funds for payment of this compensation item is DOE funds as provided under the University's contract with the DOE.

Recommended Compensation
Effective Date: Upon approval
Total Cash Compensation: $284,893
Grade Level: N14, Job Code 199.4
(Minimum $168,096, Midpoint $252,132, Maximum $336,168)

Median Market Data: $334,800 (SC CHiPS Executive Survey for Top Financial for companies with revenue of $500 million to $2.5 billion, aged to 04/01/11 using a 2.5 percent aging factor)
Percentage Difference from Market: 14.9 percent below market
Funding Source: DOE Funds

Budget &/or Prior Incumbent Data
Title: Chief Financial Officer
Total Cash Compensation: $273,936
Grade Level: N14, Job Code 199.4
(Minimum $168,096, Midpoint $252,132, Maximum $336,168)
Funding Source: DOE Funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

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.

12. REPORT OF COMMUNICATIONS RECEIVED

Secretary and Chief of Staff Griffiths reported that, in accordance with Bylaw 16.9, Regents received a summary of communications in reports dated February 1, 2011 and March 1, 2011.

13. REPORT OF MATERIALS MAILED BETWEEN MEETINGS

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

To Members of the Committee on Compliance and Audit

A. From the President, audit results of Hasting College of the Law for the year ended June 30, 2010. (February 8, 2011)

To Members of the Committee on Educational Policy

B. From the President, University of California Annual Report on Debt Capital and External Finance Approvals for fiscal year 2009-10. (January 14, 2011)

C. From the President, update on the implementation and development of Career Technical Education courses in California high schools. (January 14, 2011)

To Members of the Committee on Investments

D. From the Chief Investment Officer, Vice President and Acting Treasurer, Annual Endowment Report for fiscal year 2009-10. (February 15, 2011)

To the Regents of the University of California

E. From the President, letter concerning the 2011-2012 State Budget's effect on the University of California. (January 10, 2011)

F. From the President, an "Open Letter to California" in response to the budget proposed by the Governor. (January 10, 2011)

G. From the President, *Inside Higher Ed* article regarding State funding for higher education. (January 11, 2011)

H. From the President, fall 2010 application data. (January 13, 2011)

I. From the President, Bi-monthly Transaction Monitoring Report – November 2010; and Report of Actions Taken Under Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches – November 2010. (January 14, 2011)

J. From the Chairman, message regarding a graffiti incident on the UC Santa Cruz campus. (January 16, 2011)

K. From the President, *Los Angeles Times* editorial regarding the University of California budget. (January 21, 2011)

L. From the President, *Times Higher Education* article concerning California higher education. (January 21, 2011)

M. From the President, synopsis of a report by the Center for Strategic Economic Research on the UC Davis Health System's contributions to the Sacramento region's financial health. (January 28, 2011)

N. From the General Counsel and Vice President, Annual Report of Legal Expenses for Outside Counsel for fiscal year 2010. (January 31, 2011)

O. From the President, letter concerning the safe transport of a University of California group out of Egypt. (February 1, 2011)

P. From the Secretary and Chief of Staff, report of communications received subsequent to the January 3, 2011 report of communications. (February 1, 2011)

Q. From the Secretary and Chief of Staff, notification of upcoming advocacy events in Sacramento. (February 2, 2011)

R. From the President, copy of a letter to the editor in the *California Aggie* addressing a misleading article about a State audit of the University of California. (February 3, 2011)

S. From the President, copy of the statement the President presented to the Assembly Budget Subcommittee regarding the UC budget. (February 7, 2011)

T. From Regent Pattiz, letter regarding the position of Director of Los Alamos National Laboratory. (February 7, 2011)

U. From the Secretary and Chief of Staff, notification of the Chairman's appointments to the Special Committee on the Selection of a Student Regent for 2012-13. (March 1, 2011)

V. From the Secretary and Chief of Staff, report of communications received subsequent to the February 1, 2011 report of communications. (March 1, 2011)

Regent Hime noted that only one satellite provider, Dish Network, transmits UC Television (UCTV) programming. He encouraged the Office of the President to examine the possibility of expanding UCTV availability through other satellite providers in addition to the current provider.

The meeting adjourned at 11:25 a.m.

Attest:

Secretary and Chief of Staff

Statement of Expectations of the President of the University

Guideline for Discharge of Duties

The President of the University shall serve as the chief executive officer of the University of California, governing the institution through authority delegated by the Board of Regents. The President is expected to direct the management and administration of the University of California system consistent with the Bylaws and Standing Orders, administering the University in fulfillment of its educational, research, and public service missions in the best interests of the people of California. The President shall serve at the pleasure of the Board of Regents subject to such compensation and conditions of employment, as the Board shall determine.

Role of the President

The President shall serve as the academic leader of the institution, defining the vision for the University, and leading the system in developing and executing plans in support of that vision, consistent with the delegation of authority to the Academic Senate and the concept of shared governance.

The President shall serve as the chief executive officer, leading the administration of the University, recommending, supporting and evaluating the performance of chancellors, representing the campuses to the Regents, and establishing a structure to manage the University's affairs.

The President shall serve as the primary external advocate, promoting the University's interests and managing its reputation with external stakeholders.

The President shall serve as the guardian of the public trust, ensuring legal and ethical compliance, managing system risk, and providing information regarding University activities.

Management and Planning

The President is expected to keep the Board informed regarding significant aspects of the University; to consult and counsel the Board on important matters of governance and administration of the University; and to consult and counsel the Board with respect to policies, purposes and goals of the University. The President shall carry out the directives and policies of the Board of Regents. The President shall recommend to the Board the establishment and appointment of Senior Management Group ("SMG") positions, including the positions of chancellors and others directly responsible to the President.

The President shall promote the development and efficiency of the University of California. The President shall make recommendations for changes in organization, programs, assignments and procedures and, where required or appropriate, seek Board approval for those recommendations. The President shall ensure the quality of academic programs systemwide, striving to attain the highest quality of educational experience for University students.

Financial Resources

The President shall ensure that the University has adequate financial resources and that those resources are effectively managed to ensure the excellence of the University for future generations of Californians. The President shall present recommendations to the Board for both the capital and operating budget of the University. The President shall monitor and audit the expenditure of funds and shall ensure the University is a responsible steward of the public funds entrusted to the institution.

Consultation with the Faculty
The President is expected to consult with the Academic Senate, consistent with the principle of shared governance, on issues of significance to the general welfare and conduct of the faculty and on all matters under the jurisdiction of the Academic Senate pursuant to the Bylaws and Standing Orders.

Diversity
The President is expected to promote diversity in the University community, consistent with applicable law and the public mission of the University to serve the interests of all Californians. The President is expected to establish a climate that welcomes, celebrates and promotes respect for all forms of diversity. The President shall work to remove barriers to the recruitment, retention, and advancement of talented students, faculty and staff from historically excluded populations who are currently underrepresented.

Attachment 2

Additions shown by underscoring; deletions shown by strikethrough

BYLAW 12

RESPONSIBILITIES OF STANDING COMMITTEES

***

12.9 Committee on Governance.

The Committee on Governance shall:

a. Consist of six members appointed by the Chairman of the Board no later than March of each year for the ensuing year. To ensure both continuity on issues of governance and appropriate succession of Board leadership, the terms of the six members shall be staggered, to the extent possible, with at least two members replaced each year. The Chairman of the Board and the President of the University shall not be eligible ~~for appointment~~ to serve as members of the Committee on Governance. However, pursuant to Bylaw 10.4, the President of the Corporation and the former Chairman of the Board for the year immediately following a term of office as Chairman shall be ~~the~~ ex officio members of the Committee. No member of the Board who has been appointed to the Committee on Governance for ~~two~~ three successive terms shall be eligible again for appointment until the lapse of one year, and no member of the Board who had been appointed as Chair of the Committee on Governance for two consecutive terms shall be eligible again for appointment as Chair until the lapse of one year.

b. Following consultation with the Chairman of the Board and the President of the University, nominate, at the regular meeting in May, a Chairman and a Vice Chairman of the Board and a Chairman, a Vice Chairman, and members of each Standing Committee for the ensuing year and, upon approval by the Board, the members so nominated shall be deemed appointed to such offices and committees. The member nominated as Vice Chairman of the Board may be, but is not required to be, selected from among the members nominated as Chairmen of the several Standing Committees.

c. Nominate The Regents' representative and alternate representative to the California Postsecondary Education Commission. Upon approval by the Board, the persons so nominated shall be deemed appointed as such representative and alternate representative, respectively. The representative and alternate representative shall be nominated by the Committee on Governance at the regular meeting in May of each year for a two-year term commencing on July 1. In accordance with California Education Code Section 6690l, the representative and alternate representative are to be chosen from among the appointed members of the Board of Regents. Members of the Board who are employed by any institution of public or private postsecondary education shall be ineligible to serve as representative or alternate representative if they are permanent, full-time employees of such institutions or if they have part-time teaching duties there that exceed six hours per week. The representative and alternate representative may be reappointed to serve additional terms.

d. Nominate members to fill vacancies on all other Standing Committees and vacancies for The Regents' representative and alternate representative to the California Postsecondary Education Commission. Vacancies on the Committee on Governance shall be filled by the Chairman of the Board.

e. Consider and recommend to the Board policies relating to Standing Committee service and participation, including the number of committees on which each Regent will serve, whether meetings are coterminous or concurrent, and specialized expertise requirements for members of specific committees.

f. Consider and recommend to the Board on Bylaw functionality and effectiveness (i.e. quorum, maximum membership on committees, etc.), and recommend changes to the Board as necessary.

g. Consider and recommend to the Board regarding the appointment, responsibilities and authorities of officers, committee chairs, and committees, and recommend changes to the Board as necessary.

h. Consider and recommend to the Board on the format of Regents meetings.

Our Service Deliverables

In addition to our audits, we provide advice on emerging accounting and reporting issues and provide certain other services including those listed below. The fees for these services are found in *Attachment I of Action Item for Approval of External Audit Plan for the Year Ending June 30, 2011*. Prior to commencing any services, we are required to obtain preapproval from the Committee, pursuant to the University's preapproval policy for its independent auditor.

Audit Opinions	■ Report on the consolidated financial statements of the University of California ■ Report on the financial statements of the five Medical Centers ■ Report on the University Defined Benefit Retirement Plans financial statements ■ Report on the University Retirement Savings Program financial statements ■ Report on the University Health and Welfare Program financial statements
Internal Control Observations	■ Report to the Committee on control and process deficiencies and observations, including material weaknesses and significant deficiencies (Regents Letter) ■ Reports to the campus Chancellors on control and process deficiencies and observations (Chancellor Letters)
Additional Reports	■ Report on Federal Awards Programs of the University in accordance with OMB Circular A-133 ■ Report on the special purpose statement of income and expenses of the Revenue Bonds ■ Lawrence Berkeley National Laboratory expanded procedures
Agreed-Upon Procedures	■ Agreed-upon Procedures related to the sale of Mortgage Origination Program and Supplemental Home Loan Program loans ■ Agreed-upon Procedures related to the 415(m) plans ■ Agreed-upon Procedures on Intercollegiate Athletic Departments (NCAA requirements)

Other Services	■ Reviews in connection with bond offerings ■ Accounting consultations and other assistance associated with emerging accounting and reporting issues and complex transactions
Committee Reporting	■ Audit and communications plan ■ Results of audits and required communications

Attachment 4

PricewaterhouseCoopers
Audit Fees

	Actual 2009	Actual 2010	2011
Core Audit, including expenses			
UC	$3,913,745	$4,042,000	$3,619,000
National Laboratories	68,000	69,400	62,000 [(2)]
Sub-total Core Audit Cost	3,981,745	4,111,400	3,681,000
Expanded Scope at the National Laboratory (Berkeley)	130,000	132,600	119,000 [(3)]
Total Audit Cost	$4,111,745	$4,244,000	$3,800,000 [(1)]

(1) For FY11 PwC has agreed to reduce fees by net of 10% over the FY10 fees. Ater applying the 5% fee increase originally approved by the Regents for FY11, fees were reduced by 15%, resulting in a net reduction of approximately 10% as compared to FY10.

(2) Represents minimum scope of work necessary at LBNL to opine on the University of California financial statements.

(3) Represents the incremental cost of expanded procedures audit scope at LBNL. Includes out-of-pocket expenses.

Attachment 5

PricewaterhouseCoopers
Audit and Consulting Fees [1]
2009 and 2010

Year	Core Audit	Other Audits	Audit Related	Consulting	Ratio of Consulting to Core Audit	Ratio of Consulting to Core Audit, other Audit and Audit Related Services
2009	3,981,745 [1]	925,038 [2]	745,381 [3]		-	
2010	4,111,400 [1]	920,509 [2]	836,595 [4]	160,738 [5]	4%	3%

(1) Fees are generally allocated to the fiscal year under audit for audit services and to the year performed for consulting projects, if any. Ongoing scope changes originating in each year are included in the core audit costs for the following years.

(2) Primarily fees related to auditing the campus foundations and ASUCLA.

(3) Relates primarily to tax compliance, data privacy and security assessment, transition assessments and the ANR ERM workshop.

(4) Relates primarily to tax compliance, LBNL expanded procedures, UCSF compliance attestation engagement, West Village leasing consultation, UCSF MC IT cost review and UCI MC Eclipsys implementation assessment.

(5) Relates to Payroll Assessment/Activity Analysis Survey.

Attachment 6

*****Revised*****

Additions shown by underscoring; deletions shown by strikethrough

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UNIVERSITY OF CALIFORNIA RETIREMENT PLAN

INVESTMENT POLICY STATEMENT

Approved ~~September 16, 2010~~ March 17, 2011
Replaces version approved ~~March 24, 2010~~ September 16, 2011

APPENDIX 1
Effective: ~~October 1, 2010~~ March 1, 2011
Replaces Version Effective: ~~April 1, 2010~~ October 1, 2010

ASSET ALLOCATION, PERFORMANCE BENCHMARKS, AND REBALANCING POLICY

Based on the risk budget for the Retirement Fund, the Committee has adopted the following asset allocation policy, including asset class weights and ranges, benchmarks for each asset class, and the benchmark for the total Retirement Fund.
Criteria for including an asset class in the strategic policy include:

- Widely recognized and accepted among institutional investors
- Has low correlation with other accepted asset classes
- Has a meaningful performance history
- Involves a unique set of investors.

The Current Policy Allocation recognizes the current underinvestment in illiquid asset classes (real estate, real assets) and the corresponding need to set rebalancing ranges around this effective policy allocation until such time as long-term policy weights in these classes are achieved. The allowable ranges for each asset class and in total have been chosen to be consistent with budgets and ranges for total and active risk (see Appendix 2).

A. Strategic Asset Allocation and Ranges

	Current Policy Allocation	Long-Term Target Allocation	Allowable Ranges Minimum	Allowable Ranges Maximum
U.S. Equity	~~31%~~ 28.5%*	~~23%~~ 20.5%	~~26~~ 23.5*	~~36~~ 33.5*
Developed Non US Equity	22	~~22~~ 19.0	17	27
Emerging Mkt Equity	~~4~~ 5*	~~5~~ 7.0	~~2~~ 3*	~~6~~ 7*
Global Equity	2	2	1	3
US Fixed Income	12	12	9	15
High Yield Fixed Income	2.5	2.5	1.5	3.5
Emerging Mkt Fixed Income	2.5	2.5	1.5	3.5
TIPS	8	8	6	10
Absolute Return Strategy	~~5~~ ~~6.0~~* 6.5	~~6.5~~ 8.5	~~0~~ ~~1.0~~* 1.5	~~10~~ ~~11.0~~* 11.5
Real Assets	~~0.5~~ 1*	3	0	~~1.5~~ 2*
~~Opportunistic~~	~~0.5~~	~~0.5~~	~~0~~	~~1.5~~
Private Equity	6	~~6~~ 8.0	3	9
Real Estate	4	7	1	7
Liquidity	0	0	0	10
	100%	100%		
Combined Public Equity	~~59~~ 57.5*	~~52~~ 48.5	~~49~~ 47.5*	~~69~~ 67.5*
Combined Fixed Income	25	25	20	30
Combined Alternatives	~~16~~ 17.5*	~~23~~ 26.5	~~9~~ 10.5*	~~23~~ 24.5*

*Reflects incremental adjustments approved by the Regents' Consultant in accordance with Section C, note 3, from current targets toward long-term targets, made since the most recent amendment of the Statement.

B. Asset Class Performance Benchmarks

The Committee has adopted the following performance benchmarks for each asset class. Criteria for selection of a benchmark include:

- Unambiguous: the names and weights of securities comprising the benchmark are clearly delineated
- Investable: the option is to forego active management and simply replicate the benchmark
- Measurable: it is possible to readily calculate the benchmark's return on a reasonably frequent basis
- Appropriate: the benchmark is consistent with the Committee's investment preferences or biases
- Specified in Advance: the benchmark is constructed prior to the start of an evaluation period
- Reflects Current Investment Opinion: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction

Asset Class	Benchmark
U.S. Equity	Russell 3000 Tobacco Free Index
Developed Non US Equity	MSCI World ex-US (Net Dividends) Tobacco Free
Emerging Mkt Equity	MSCI Emerging Market Free (Net Dividends)
Global Equity	MSCI All Country World Index Net – IMI – Tobacco Free
Fixed Income	Barclays Capital US Aggregate Index
High Yield Fixed Income	Merrill Lynch High Yield Cash Pay Index
Emg Mkt Fixed Income	Dollar Denominated:~~33% times~~ JP Morgan Emerging Markets Bond Index Global Diversified ~~+ JP Morgan Government Bond Index Emerging Markets Global Diversified (67%)~~
Emg Mkt Fixed Income	Local Currency: JP Morgan Emerging Bond Index Emerging Markets Global Diversified
TIPS	Barclays Capital US TIPS Index
Absolute Return Strategy	Diversified: HFRX Absolute Return Index (50%) + HFRX Market Directional Index (50%)
Absolute Return Strategy	Cross Asset Class: Aggregate UCRP Policy Benchmark
Real Assets	Commodities: S&PGSCI Reduced Energy Index All Other: N/A (see below note ~~4~~ 3)
~~Opportunistic~~	~~See below note 5~~
Private Equity	N/A (see below note 2)
Real Estate	Public: ~~50% times the FTSE EPRA NAREIT US Index plus 50% times the~~ FTSE EPRA NAREIT Global ~~ex-US~~ Index
Real Estate	Private ~~(core strategies)~~: NCREIF Funds Index – Open end Diversified Core Equity (ODCE), lagged 3 months ~~Private (non-core strategies): N/A (see below note 3)~~

Notes on asset class benchmarks:

1. Global Equity: The Treasurer will determine what constitutes a tobacco company based on standard industry classification of the major index providers (e.g., Russell, MSCI) and communicate this list to investment managers annually and whenever changes occur.

2. Private Equity: *Long-term* portfolio returns will be compared to investable public equity alternatives as well as non-investable peer group indices. There is no appropriate market benchmark to use for *short-term* performance evaluation or decision making.
~~3. Private Real Estate (non-core strategies only): similar to Private Equity~~
~~4.~~ 3. Real Assets (all strategies ex-commodities): similar to Private Equity
~~5. Opportunistic: By their nature, unique or limited opportunity investments are difficult to benchmark, and there will not be a "one size fits all" benchmark for this category. The Regents' general investment consultant will establish the appropriate individual benchmark after the investment is chosen but before funding the investment. For any asset whose size at initial or subsequent purchase is greater than ½ of one percent of the total fund market value, the benchmark will be approved by the Chair of the Committee on Investments based on recommendation of the Regents' general investment consultant.~~

C. Total Retirement Fund Performance Benchmark

This is the composition of the total Fund performance benchmark referred to in the Investment Policy Statement, Part 4(d). The percentages below add to 100%.

Percentage	Benchmark
~~31%~~ 28.5[*]	× Russell 3000 Tobacco Free Index
22%	× MSCI World ex-US (Net Dividends) Tobacco Free
~~4%~~ 5[*]	× MSCI Emerging Market Free (Net Dividends)
2%	× MSCI All Country World Index Net – IMI – Tobacco Free
12%	× Barclays Capital US Aggregate Index
2.5%	× Merrill Lynch High Yield Cash Pay Index
2.5%	× [JP Morgan Emerging Markets Bond Index Global Diversified × ~~(~~33%~~)~~] + [JP Morgan Government Bond Index Emerging Markets Global Diversified × ~~(~~67%~~)~~]
8%	× Barclays Capital US TIPS Index
~~5%~~ 6[*]	× [HFRX Absolute Return Index × ~~(~~50%~~)~~] + [HFRX Market Directional Index × ~~(~~50%~~)~~] [Abs. Ret. – Diversified]
0.5%	× Aggregate UCRP Policy Benchmark [Abs.Ret.-Cross Asset Class]
~~0.5%~~ 1[*]	× Aggregate Real Assets benchmark (see section B), with components weighted by their actual weights within the total real assets portfolio~~)~~
~~0.5% 1~~[*]	~~× Aggregate Opportunistic benchmark (see section B), with components weighted by their actual weights within the total opportunistic portfolio)~~
6%	× Actual return of private equity portfolio
4%	× Aggregate of Public and Private Real Estate benchmarks (see section B), with components weighted by their actual weights within the total real estate portfolio~~)~~

Notes on total fund benchmark:

1. The benchmark for private equity is replaced by the private equity portfolio's actual performance. This has the effect of neutralizing the active performance of this class for purposes of total fund performance evaluation. Similar comments apply to private real estate – non-core strategies (closed end funds) and Real Assets (all strategies ex commodities).

[*] Reflects incremental adjustments approved by the Regents' Consultant in accordance with Section C, note 3, from current targets toward long-term targets, made since the most recent amendment of the Statement.

2. The calculation of the total fund benchmark will assume a monthly rebalancing methodology.
3. In the event of a significant change in asset allocation, The Regents' generalist consultant may specify an alternative weighting scheme to be used during a transition period.

D. Rebalancing Policy

There will be periodic deviations in actual asset weights from the long-term/current policy asset weights specified above. Causes for periodic deviations are market movements, cash flows, and varying portfolio performance. Significant movements from the asset class policy weights will alter the intended expected return and risk of the Fund. Accordingly, the Investment Committee authorizes the Treasurer to rebalance the Fund when necessary to ensure adherence to the Investment Policy.

The Treasurer will monitor the actual asset allocation at least monthly. The Committee directs the Treasurer to take all actions necessary, within the requirement to act prudently, to rebalance assets to within the policy ranges in a timely and cost effective manner when actual weights are outside the prescribed ranges. The Treasurer may utilize derivative contracts (in accordance with Appendix 4) to rebalance the portfolio.

The Treasurer shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. With approval from the Chair of the Committee, the Treasurer may delay a rebalancing program when the Treasurer believes the delay is in the best interest of the Plan. Results of rebalancing will be reported to the Committee at quarterly meetings.

Attachment 7

*****Revised*****

Additions shown by underscoring; deletions shown by strikethrough

UNIVERSITY OF CALIFORNIA
GENERAL ENDOWMENT POOL

INVESTMENT POLICY STATEMENT

Approved ~~September 16, 2010~~ March 17, 2011
Replaces version dated ~~March 24, 2010~~ September 16, 2010

UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL
INVESTMENT POLICY STATEMENT

APPENDIX 1
Effective: ~~October 1, 2010~~ March 1, 2011
Replaces Version Effective: ~~April 1, 2010~~ October 1, 2010

ASSET ALLOCATION, PERFORMANCE BENCHMARKS, AND REBALANCING POLICY

Based on the risk budget for the GEP, the Committee has adopted the following asset allocation policy, including asset class weights and ranges, benchmarks for each asset class, and the benchmark for the total GEP.
Criteria for including an asset class in the strategic policy include:

- Widely recognized and accepted among institutional investors
- Has low correlation with other accepted asset classes
- Has a meaningful performance history
- Involves a unique set of investors

The Current Policy Allocation recognizes the current under-investment in illiquid asset classes (real estate, real assets) and the corresponding need to set rebalancing ranges around this effective policy allocation until such time as long-term policy weights in these classes are achieved. The allowable ranges for each asset class and in total have been chosen to be consistent with budgets and ranges for total and active risk.

A. Strategic Asset Allocation and Ranges

	Current Policy Allocation	Long Term Target Allocation	Allowable Ranges Minimum	Allowable Ranges Maximum
U.S. Equity	20%	~~19%~~18.5	15	25
Developed Non US Equity	18.5	~~18~~16.0	13.5	23.5
Emerging Mkt Equity	5	~~5~~ 6.0	3	7
Global Equity	2	2	1	3
US Fixed Income	~~8~~7.5	5	~~5~~4.5	~~11~~10.5
High Yield Fixed Income	3	2.5	2	4
Emerging Mkt Fixed Income	3	2.5	2	4
TIPS	4	2.5	2	6
Absolute Return	~~23.5~~24.0	~~23.5~~25.5	~~18.5~~19	~~28.5~~29
Real Assets	~~0.5~~1.0	3.0	0	~~1.5~~2
~~Opportunistic~~	~~0.5~~	~~0.5~~	~~0~~	~~1.5~~
Private Equity	7	9	4	10
Real Estate	5	7.5	2	8
Liquidity	0	0	0	10
	100%	100%		
Combined Public Equity	45.5	~~44~~42.5	35.5	55.5
Combined Fixed Income	~~18~~17.5	12.5	~~13~~12.5	~~23~~22.5
Combined Alternatives	~~36.5~~37.0	~~43.5~~45.0	~~26.5~~27.0	~~46.5~~47.0

* Alternatives category including, but not limited to: Real Estate, Private Equity, and Absolute Return Strategies

B. Asset Class Performance Benchmarks

The Committee has adopted the following performance benchmarks for each asset class. Criteria for selection of a benchmark include:

- Unambiguous: the names and weights of securities comprising the benchmark are clearly delineated
- Investable: the option is to forego active management and simply replicate the benchmark
- Measurable: it is possible to readily calculate the benchmark's return on a reasonably frequent basis
- Appropriate: the benchmark is consistent with The Committee's investment preferences or biases
- Specified in Advance: the benchmark is constructed prior to the start of an evaluation period
- Reflecting Current Investment Opinion: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction

Asset Class	Benchmark
U.S. Equity	Russell 3000 Tobacco Free Index
Non US Eq. Devel.	MSCI World ex-US Net Tobacco Free
Emerging Mkt Eq	MSCI Emerging Market Free Net
Global Equity	MSCI All Country World Index Net – IMI – Tobacco Free
Fixed Income	~~Lehman~~ Barclays US Capital Aggregate Bond Index
High Yield Fixed Income	Merrill Lynch High Yield Cash Pay Index
Emg Mkt Fixed Income	Dollar Denominated:~~33% times~~ JP Morgan Emerging Market Bond Index – Global Diversified, ~~plus 67% times the JP Morgan Global Bond Index – Emerging Markets – Global Diversified~~
Emg Mkt Fixed Income	Local Currency: JP Morgan Bond Index Emerging Market Global Diversified
TIPS	~~Lehman~~ Barclays Capital US TIPS Index
Absolute Return	~~50% x~~ Diversified: HFRX Absolute Return Index (50%) + ~~50%~~ HFRX Market Directional Index (50%)
Absolute Return	Cross Asset Class: Aggregate GEP Policy Benchmark
Real Assets	Commodities: S&PGSCI Reduced Energy Index All Other: N/A (see below note ~~4~~3)
~~Opportunistic~~	~~See below note 5~~
Private Equity	N/A (see below note 2)
Real Estate	Public: ~~50% times the FTSE EPRA NAREIT US Index return plus 50% times the~~ FTSE EPRA NAREIT Global ~~ex-US~~ Index return

Real Estate	Private ~~(core strategies)~~: NCREIF Funds Index– Open end Diversified Core Equity (ODCE), lagged three months ~~Private (non-core strategies): N/A (see below note 3)~~

Notes on asset class benchmarks:
1. Global Equity: The Treasurer will determine what constitutes a tobacco company based on standard industry classification of the major index providers (e.g., Russell, MSCI) and communicate this list to investment managers annually and whenever changes occur.
2. Private Equity: *Long term* portfolio returns will be compared to investable public equity alternatives as well as non-investable peer group indices. There is no appropriate market benchmark to use for *short term* performance evaluation or decision making.
~~3. Private Real Estate (non-core strategies only): similar to Private Equity~~
~~4~~3. Real Assets (all strategies ex-commodities): similar to Private Equity
~~5. Opportunistic: By their nature, unique or limited opportunity investments are difficult to benchmark, and there will not be a "one size fits all" benchmark for this category. The Regents' general investment consultant will determine the appropriate individual benchmark after the investment is chosen but before funding the investment. The benchmark for any asset whose size at initial or subsequent purchase is greater than ½ of one percent of the total fund market value will be approved by the Chair of the Committee on Investments based on recommendation of the Regents' general investment consultant.~~

C. Total GEP Performance Benchmark

This is the composition of the total GEP performance benchmark referred to in the Investment Policy Statement, Part 4(b). The percentages below add to 100%.

Percentage	**Benchmark**
~~19%~~20.0*	× Russell 3000 Tobacco Free Index
~~18%~~18.5*	× MSCI World ex-US Net Tobacco Free
5%	× MSCI Emerging Market Free Net
2%	× MSCI All Country World Index Net – IMI – Tobacco Free
~~8%~~7.5	× ~~Lehman~~ Barclays Capital US Aggregate Bond Index
3%	× Merrill Lynch High Yield Cash Pay Index
~~2.5%~~	~~× Citigroup World Government Bond Index ex-US~~
3%	× ~~33% times~~ [JP Morgan Emerging Market Bond Index – Global Diversified × 33%] + [~~, plus 67% times the~~ JP Morgan Global Bond Index —Emerging Markets – Global Diversified × 67%]
4%	× ~~Lehman~~ Barclays Capital US TIPS Index
23.5%	× ~~50% x~~ [HFRX Absolute Return Index ~~+~~ × 50%] + [HFRX Market Directional Index × 50%] [Abs. Ret. – Diversified]
0.5%	× Aggregate GEP Policy Benchmark [Abs. Ret. – Cross Asset Class]
~~0.5%~~1.0	× Aggregate Real Assets benchmark (see section B~~)~~, with components weighted by their actual weights within the total real assets portfolio~~)~~

* Reflects incremental adjustments approved by the Regents' Consultant in accordance with Section C, note 3, from current targets toward long-term targets, made since the most recent amendment of the Statement.

~~0.5%~~	~~× Aggregate Opportunistic benchmark (see section B, with components weighted by their actual weights within the total opportunistic portfolio)~~
7%	× Actual return of private equity portfolio
5%	× Aggregate <u>of Public and Private</u> Real Estate benchmark<u>s</u> (see section B<u>)</u>, with components weighted by their actual weights within the total real estate portfolio~~)~~

Notes on Total Fund benchmark:
1. The benchmark for private equity is replaced by the private equity portfolio's actual performance. This has the effect of neutralizing the active performance of this class for purposes of total fund performance evaluation.
2. The calculation of the Total Fund benchmark will assume a monthly rebalancing methodology.
3. In the event of a significant change in asset allocation, The Regents' generalist consultant may specify an alternative weighting scheme to be used during a transition period.

D. Rebalancing Policy

There will be periodic deviations in actual asset weights from the long-term/current policy asset weights specified above. Causes for periodic deviations are market movements, cash flows, and varying portfolio performance. Significant movements from the asset class policy weights will alter the intended expected return and risk of the GEP. Accordingly, the Investment Committee authorizes the Treasurer to rebalance the GEP when necessary to ensure adherence to the Investment Policy.

The Treasurer will monitor the actual asset allocation at least monthly. The Committee directs the Treasurer to take all actions necessary, within the requirement to act prudently, to rebalance assets to within the policy ranges in a timely and cost effective manner when actual weights are outside the prescribed ranges. The Treasurer may utilize derivative contracts [in accordance with Appendix 4] to rebalance the portfolio.

The Treasurer shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. With approval from the Chair of the Committee, the Treasurer may delay a rebalancing program when the Treasurer believes the delay is in the best interest of the GEP. Results of rebalancing will be reported to the Committee at quarterly meetings.

Attachment 8

UCRP RECOMMENDATION:

PENSION	Current Policy			Long Term Policy		
Asset Class	Current Policy (12/1/2010)	Proposed Current (eff. 3/1/2011)	Change	Long-Term Policy	Proposed Long-Term (eff. 3/1/2011)	Change
US Equity	28.5	28.5	-	23.0	20.5	(2.5)
Non US Devl Equity	22.0	22.0	-	22.0	19.0	(3.0)
Emerging Mkt Equity	5.0	5.0	-	5.0	7.0	2.0
Global Equity	2.0	2.0	-	2.0	2.0	-
Total Equity	**57.5**	**57.5**	-	**52.0**	**48.5**	(3.5)
Core Fixed Income	12.0	12.0	-	12.0	12.0	-
HYD	2.5	2.5	-	2.5	2.5	-
EMD	2.5	2.5	-	2.5	2.5	-
TIPS	8.0	8.0	-	8.0	8.0	-
Cash	-	-	-	-	-	-
Total Fixed Income	**25.0**	**25.0**	-	**25.0**	**25.0**	-
Absolute Return *	6.0	6.5	0.5	**6.5**	**8.5**	2.0
Real Assets	1.0	1.0	-	**3.0**	**3.0**	-
Opportunistic *	0.5	-	(0.5)	**0.5**	**0.0**	(0.5)
Private Equity	6.0	6.0	-	6.0	8.0	2.0
Real Estate	4.0	4.0	-	7.0	7.0	-
Total Alternatives	**17.5**	**17.5**	-	**23.0**	**26.5**	3.5
Grand Total	**100.0**	**100.0**	-	**100.0**	**100.0**	-
Public Equity	57.5	57.5	-	52.0	48.5	(3.5)
Fixed Income	25.0	25.0	-	25.0	25.0	-
Alternatives	17.5	17.5	-	23.0	26.5	3.5

* Absolute Return Strategies will include an additional allocation to Cross Asset Class Strategies. The "Opportunistic" Class will be folded into Absolute Return Strategies.

GEP RECOMMENDATION:

ENDOWMENT	Current Policy			Long Term Policy		
Asset Class	Current Policy (4/1/2010)	Proposed Current (eff. 3/1/2011)	Change	Long-Term Policy	Proposed Long-Term (eff. 3/1/2011)	Change
US Equity	**20.0**	**20.0**	-	**19.0**	**18.5**	(0.5)
Non US Devl Equity	**18.5**	**18.5**	-	**18.0**	**16.0**	(2.0)
Emerging Mkt Equity	5.0	5.0	-	5.0	6.0	1.0
Global Equity	2.0	2.0	-	**2.0**	**2.0**	-
Total Equity	**45.5**	**45.5**	-	**44.0**	**42.5**	(1.5)
Core Fixed Income	8.0	7.5	(0.5)	5.0	5.0	-
HYD	3.0	3.0	-	2.5	2.5	-
EMD	3.0	3.0	-	2.5	2.5	-
TIPS	4.0	4.0	-	2.5	2.5	-
Cash	-	-	-	-	-	-
Total Fixed Income	**18.0**	**17.5**	(0.5)	**12.5**	**12.5**	-
Absolute Return *	23.5	24.0	0.5	23.5	25.5	2.0
Real Assets	**0.5**	**1.0**	0.5	**3.0**	**3.0**	-
Opportunistic *	**0.5**	**0.0**	(0.5)	**0.5**	**0.0**	(0.5)
Private Equity	7.0	7.0	-	9.0	9.0	-
Real Estate	5.0	5.0	-	7.5	7.5	-
Total Alternatives	**36.5**	**37.0**	0.5	**43.5**	**45.0**	1.5
Grand Total	**100.0**	**100.0**	**0.0**	**100.0**	**100.0**	**0.0**
Public Equity	45.5	45.5	-	44.0	42.5	(1.5)
Fixed Income	18.0	17.5	(0.5)	12.5	12.5	-
Alternatives	36.5	37.0	0.5	43.5	45.0	1.5

* Absolute Return Strategies will include an additional allocation to Cross Asset Class Strategies. The "Opportunistic" Class will be folded into Absolute Return Strategies.

Additions shown by underscoring; deletions shown by strikethrough

APPENDIX 7L
Effective: ~~September 17, 2008~~ April 1, 2011
Replaces Version: ~~March 19, 2008~~ September 17, 2008

PRIVATE EQUITY
INVESTMENT GUIDELINES

The purpose for portfolio guidelines is to clearly define performance objectives and to control risk. Portfolio guidelines to control risk should be subject to ongoing review.

Performance Objectives:
The objective of the private equity portfolio is to earn a return, after adjusting for risk, that exceeds the Russell 3000 Index return on a consistent basis over time.

Portfolio Guidelines:
1. Permissible investments include partnerships that invest in U.S venture capital, U.S. buyouts, and non-U.S. private equity. Permissible investments also include co-investments and direct equity investments (as limited in guidelines ~~12~~ 10 and 11 below).

2. Fund-of-funds partnerships are permitted, and the commitment to any individual fund-of-funds partnership is recommended not to exceed 35 percent of the total capital raised by the partnership. The maximum of 35 percent represents the ownership percentage of the partnership at each closing.

3. The policy allocation to U.S. buyouts is ~~45~~ 70 percent of the private equity portfolio with a minimum allocation of ~~30~~ 50 percent and maximum allocation of ~~70~~ 90 percent. U.S. buyouts are broadly defined as leveraged buyouts, growth capital buyouts, special situations, restructuring, and mezzanine funds. Real estate funds are not included.

4. The policy allocation to U.S. venture capital is ~~40~~ 25 percent of the private equity portfolio with a minimum allocation of ~~25~~ 15 percent and maximum allocation of ~~65~~ 40 percent. U.S. venture capital includes early, middle, and late stage private investments in new high growth businesses.

~~5. The policy allocation to non-U.S. private equity is 10 percent of the private equity portfolio with a minimum allocation of 0 percent and maximum allocation of 20 percent. Non- U.S. private equity includes private equity and venture capital partnerships operating in Europe, Asia, and Latin America.~~

~~6.~~5. The policy allocation to co-investments / direct equity investments is 5 percent of the private equity portfolio with a minimum allocation of 0 percent and a maximum allocation of 10 percent.

~~7.~~6. No single partnership commitment (including co-investments / direct equity investments) can represent, at the time of commitment, more than 5 percent of the current private equity allocation defined as the most recent quarter book value plus unfunded commitments plus approved target commitment for the current (one) year.

~~8.~~7. Investment in multiple funds of the same general partner is permitted. However, the total commitment to partnerships with the same general partner (including co-investments / direct equity investments), at the time of commitment, can not exceed 15 percent of the budgeted three year private equity allocation defined as current book value plus unfunded commitments plus approved commitment level for the current year and two subsequent years.

~~9.~~8. The commitment to any individual partnership is recommended not to exceed 20 percent of the total capital raised by the partnership. The maximum of 20 percent represents the ownership percentage of the partnership at each closing. Notwithstanding these limitations, commitments to any fund-of-funds partnership are recommended not to exceed 35 percent of the total capital raised by the partnership.

~~10.~~9. The private equity portfolio should be diversified across time as well. At the time the budget is set, no more than 30 percent of the budgeted three year private equity allocation (defined in the same way as in guideline #~~8~~7 above) can be committed to partnerships in any one year.

~~11.~~10. No single co-investment or direct investment company can represent, at the time of commitment, more than ~~$15~~ $20 million at cost. No single co-investment company combined with UC's share of the same portfolio company from partnership investments can represent, at the time of commitment, more than $30 million at cost.

~~12.~~11. Direct investments shall be limited to the following:

a. companies whose businesses are based on research or development initiated at the University of California or the UC-managed National Laboratories, and
b. investments which are made with an independent private equity firm or experienced private equity professional as partner

Additions shown by underscoring; deletions shown by strikethrough

APPENDIX 7M
Effective: ~~March 1, 2009~~ <u>April 1, 2011</u>
Replaces version: March ~~19, 2008~~<u>1, 2009</u>

<u>PRIVATE</u> REAL ESTATE
INVESTMENT GUIDELINES

The purpose of the real estate investment guidelines is to define the investment objectives, philosophy, and specific guidelines for making investments and the benchmarks to measure performance.

These guidelines are applicable to the entire real estate program ("Program") consisting of investments made on behalf of the UCRP and GEP funds. The allocation of investments between the two funds will be managed by the Treasurer in accordance with the performance and risk objectives of those funds.

Allocations and ranges for the four principal strategies are shown below.

Strategic Allocations		
Strategy	**Allocation**	**Range**
REITS	10%	5%-20%
Core Real Estate	~~25~~<u>30</u>%	~~15~~<u>10</u>%-~~60~~<u>80</u>%
~~Enhanced~~<u>Value-Added</u> Strategies	~~40~~<u>30</u>%	~~20~~<u>10</u>%-50%
~~High-Return~~<u>Opportunistic</u> Strategies	~~25~~<u>30</u>%	10%-~~30~~<u>40</u>%
Total	100%	

Core Real Estate, ~~Enhanced~~<u>Value Added</u> Strategies, and ~~High Return~~<u>Opportunistic</u> Strategies ~~are combined below under the heading~~constitute "Private Real Estate." ~~Enhanced~~<u>Value Added</u> and ~~High Return~~<u>Opportunistic</u> strategies together are referred to as "Non-Core." REITS are ~~referred to~~<u>discussed</u> in the section "Public Real Estate Securities (Appendix ~~7L-2~~<u>7N</u>)." The term "Program" will be interpreted in the context of private or public real estate.

Investment Guidelines ~~– Private~~

1. ~~When the Program is fully invested and mature, the~~<u>The</u> benchmark for evaluating the Program's investment performance will be the National Council of Real Estate Investment Fiduciaries (NCREIF) Funds Index – Open-end Diversified Core Equity Index ("NFI-ODCE"). The Program return is expected to meet or exceed this benchmark, on a rolling ~~five~~<u>three</u> year basis, after deducting all costs and expenses <u>("net returns")</u>. ~~During an implementation period of three to five years from the effective date, the investment performance of the Core portion of the Program will be compared to the NFI-ODCE Index.~~

~~During this same period, the investment performance of the non-Core portion, including the separate accounts, is correctly measured as an internal rate of return (IRR), and will be compared to an appropriate universe of similar strategies (rather than to a time-weighted index) by the Real Estate consultant.~~

2. Investments shall be in limited liability investment vehicles such as limited partnerships, limited liability corporations, private REITs, and other ~~pooled~~commingled investment ~~funds~~Funds. Direct investments through discretionary separate accounts may be made through title holding corporations.

3. Investments shall be primarily equity-oriented, but may also include debt instruments ~~with equity-like returns~~ secured by real estate.

4. Specific property types in the Program shall be within the following ranges:

Property Diversification Guidelines	
Property Type	**Range**
Office	20%-50%
Apartments	15%-35%
Industrial	15%-35%
Retail	~~10~~15%-~~30~~35%
~~Other~~Hospitality	Up to 20%
Other (incl. student housing)	Up to 20%

5. Investments in the U.S. shall be diversified by geographic location ~~with no one metropolitan area exceeding 20% of the portfolio~~as follows:
   a. Exposure (current NAV) in any one NFI-ODCE region within the total Private program (commingled funds and separate accounts) not to exceed the weight of that region in the NFI-ODCE index by more than 5%.
   b. Exposure (current NAV) in any one Metropolitan Statistical Area (or Metropolitan Statistical Division, if applicable) within the Separate Account portfolio not to exceed 20% of the Separate Account program allocation ("allocation" meaning: NAV + Unfunded Commitments).

6. Investments outside the U.S. may not represent more than ~~20~~25% of the private real estate portfolio and at the portfolio level must be diversified by type and geographic location.

7. The Program's investment in any one fund shall not exceed 20% of the total capital being raised for that fund.

8. No more than 15% of the Program's ~~assets~~commingled Fund Net Asset Value + Unfunded Commitments shall be invested with a single ~~core~~ manager. ~~and no~~No more than ~~10~~25% of the Separate Account program allocation~~'s assets~~ shall be invested with a single ~~non-core~~ manager ~~(Enhanced or High Return)~~("allocation" meaning: NAV + Unfunded Commitments).

9. The Program's outstanding investment(s) with any given ~~sponsor, or related sponsors~~firm, including its affiliates and subsidiaries, may not exceed 20% of that ~~sponsor, or related sponsors',~~firm's total real estate equity under management.

10. In order to enhance the alignment of interests of the investor and the sponsor, the sponsor of a closed-end fund investment will be required to make a co-investment of at least 1%.

11. Leverage at the Program level shall not exceed 65% of the (gross) market value of the total assets ~~allocated to~~ of the Program. All leverage shall be non-recourse to the Regents, as trustee of UCRP, with respect to UCRP investments in the Program. All leverage shall be non-recourse to the Regents, a public corporation, with respect to GEP investments in the Program.

12. Letters of credit may be obtained or funding guarantees provided in favor of a lender in connection with the development and operation of a property managed by a ~~separate~~ Separate ~~account~~ Account manager through a property title holding corporation owned by the Regents as trustee of UCRP, or the Regents, a public corporation, with respect to GEP investments in the Program, provided that such letter or guarantee does not encumber any assets other than those previously committed to such separate account to fund such investment.

13. The acquisition price of any single property or collective investment vehicle (portfolio of properties) shall not exceed 5% of the total ~~Program dollar allocation (i.e., the target value of assets when the Program is fully invested)~~Separate Account program long-term allocation (that is, Net Asset Value + Unfunded Commitments + unused capacity consistent with the long-term policy targets of Real Estate). The Treasurer may approve the acquisition of properties greater than 5% but less than 10% of the total Program allocation.

14. Fund of Fund investments are permitted

15. Club deals and co-investments, in aggregate, shall not exceed 7.5% of total Program market value.

Note: Compliance with some of these guidelines will not be required until a sufficient number of investments have been made. The Treasurer will keep the Committee periodically informed as to the status of its compliance with these guidelines.

APPENDIX 7N
Effective: ~~May 17, 2007~~April 1, 2011
Replaces version: ~~new~~May 17, 2007

**PUBLIC REAL ESTATE SECURITIES
INVESTMENT GUIDELINES**

The purpose for these performance objectives ("Objectives") and management guidelines ("Guidelines") is to clearly state the investment approach, define performance objectives and to control risk in the management of the Public Real Estate Securities allocation of the Fund ("the Program"). These Objectives and Guidelines shall be subject to ongoing review by the Committee. Capital market conditions, changes in the investment industry, new financial instruments, or a change in the Committee's risk tolerance, are among factors to be considered in determining whether the Guidelines shall be revised.

1. Investment Policy

a. Investment Objective

The primary investment objective of the Program is to generate a rate of return from investments in public real estate securities which exceeds the return on the global real estate securities market, measured by ~~50% times~~ the FTSE EPRA NAREIT ~~US Index return plus 50% times the FTSE EPRA NAREIT~~ Global ~~ex US~~ Index return ("Benchmark"), while maintaining risk similar to that of the Benchmark.

b. Investment Strategy

The Program shall be implemented by hiring multiple external investment managers ("Managers"). Each Manager's strategy will focus on a subset of the global real estate securities market in which the Manager is believed to have a competitive advantage in providing returns in excess of its respective benchmark on a risk adjusted basis. The Treasurer will monitor whether the aggregate of all externally managed portfolios adheres to these Guidelines, and in particular achieves the overall performance and risk objectives stated below. In addition, each Manager shall have written guidelines, which will detail its strategy, performance objectives, permitted investments, and restrictions. The Treasurer will monitor each Manager's adherence to its respective guidelines. In no case may a Manager's guidelines create potential conflict with the Guidelines for the Program.

c. Performance Objective

Each Manager will have a unique objective, or style benchmark, which is appropriate to its individual strategy, and specified in its guidelines. ~~The benchmark for evaluating investment performance for REIT managers (US only mandate) is the FTSE EPRA NAREIT US Index. The benchmark for non-US REIT managers is the FTSE EPRA NAREIT Global ex-US Index. The benchmark for global REIT managers (combined US and non-US mandate) is the FTSE EPRA NAREIT Global Index.~~The Program return is expected to meet or exceed a weighted aggregate of these benchmarks, on a consistent basis over time, after deducting all costs and expenses.

d. Risk Objective

The Program shall be managed so that its annualized tracking error budget shall be 450 basis points. Each Manager will have a unique active risk budget, relative to its style benchmark, which is appropriate to its individual strategy, and specified in its guidelines, and which will reflect the risk-return profile of its specific investment objectives.

e. Other Constraints and Considerations

- Managers shall comply with applicable State and Federal laws and regulations and the prudence requirement described in section 3(a) of the Policy.
- Managers shall act solely in the interest of the Fund's constituents.
- Implementation of this Program shall comply with the Fund's Policy.

2. Investment Guidelines

a. Asset Allocation

It is expected that the Program will be fully invested in equity and equity-related securities at all times. Any cash held by Managers of separate accounts for the purpose of facilitating cash flows or portfolio transactions will be swept daily by the custodian. The Treasurer or designated overlay manager may equitize this cash using appropriate derivatives contracts.

b. Types of Securities

The Program will be invested in diversified portfolios of real estate securities that are listed on national securities exchanges. Managers may also invest in stocks that are traded over-the-counter and in other real estate-related securities and private placements as limited in their guidelines. A real estate-related company is one in which the predominant share of EBITDA is derived from rental income and/or the equity ownership of real estate.

c. Restrictions

The Managers may **not**

- Purchase securities of tobacco related companies, as per the Policy, section 5b.
- Lend securities
- Purchase commodities or commodity derivatives
- Purchase fixed income securities except for cash equivalents used for facilitating transactions
- Buy party-in-interest securities
- Buy securities restricted as to sale or transfer, except for 144A securities, which are permitted
- Buy or write equity linked notes
- Employ economic leverage in the portfolio through borrowing or derivatives

d. Diversification and Concentration

The Program's investments will be appropriately diversified to control overall risk and will exhibit portfolio risk characteristics similar to those of the Benchmark. The Treasurer is responsible for managing aggregate risk exposures. The following limitations apply:

- The Program's beta with respect to the Benchmark will not be significantly different from 1.0, as measured over the most recent 12 month period.
- Notwithstanding the overall diversification of the Program, the Treasurer may set limits on any individual Manager's tracking error and/or contribution to active risk of the Program.
- The aggregate holdings within separate accounts of any security may not exceed 4.9% of that security's outstanding shares.

It is expected that each Manager's portfolio will be appropriately diversified, within limits established in its guidelines and relative to its performance objectives, to control risk, but without unduly restricting a Manager's ability to out-perform its benchmark. That is, an individual Manager's portfolio may be more concentrated than is appropriate for the Program's aggregate investments.

e. Managers shall employ best execution. Transactions may be directed to brokers/dealers designated by the Treasurer at the Manager's discretion when best execution is available.

f. Managing Cash Flows

The Treasurer may use derivative contracts (including but not limited to index futures and ETF's) for facilitating investment of cash flows related to contributions, withdrawals, or other asset allocation rebalancing.

3. Evaluation and Review

a. Policy and Guideline Review

The Treasurer shall review the Objectives and Guidelines at least annually, and report to the Committee on the impact of the Guidelines on the Program's performance.

b. Program performance and risk exposures shall be evaluated at multiple levels in accordance with the performance objectives of the Program and individual Managers.

4. Reporting

On a quarterly basis, the Treasurer shall provide the following reports to the Committee:

a. A performance attribution explaining differences in sector weights and returns (property type and/or geographical sectors, as appropriate), between the aggregate Program investments and the Benchmark, and an explanation of any material differences.

b. A forecast risk report, using the Treasurer's risk system, showing the total, systematic ("common factor"), and non-systematic ("residual") risk of the aggregate portfolio, the

Benchmark, and the active Program relative to the Benchmark, and an explanation of any material differences.

c. A summary of individual manager performance, on an absolute and benchmark relative basis.

Managers will be required to provide the Treasurer monthly and quarterly reports, including but not limited to:

a. A monthly performance statement for the portfolio (gross and net) and the benchmark, and provide the gross performance for the product Composite at least quarterly.
b. If available, a monthly or quarterly forecast risk report, using the Manager’s risk system, showing the total, systematic (“common factor”), and non-systematic (“residual”) risk of the portfolio relative to the benchmark.
c. A monthly or quarterly variance analysis, indicating sources of performance variances (difference between portfolio and benchmark return), and an explanation of any material differences.
d. A quarterly review of portfolio and strategy performance including a market outlook.
e. An annual statement of compliance with investment guidelines.

5. Definitions: See Appendix 8