The Regents of the University of California

COMMITTEE ON COMPENSATION
July 14, 2011

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

Members present: Regents Kieffer, Lozano, Pattiz, Pelliccioni, Ruiz, and Varner; Ex officio members Gould and Lansing; Advisory members Anderson and Mendelson

In attendance: Regents De La Peña, Hallett, Island, Makarechian, Mireles, Newsom, Reiss, and Zettel, Regents-designate Rubenstein and Stein, Faculty Representative Simmons, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice President Stobo, Vice Presidents Beckwith, Darling, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary Johns

The meeting convened at 9:15 a.m. with Committee Chair Ruiz presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of May 18, 2011 were approved.

2. **CONSENT AGENDA**

A. ***Approval of Individual Non-State-Funded Compensation Consent Actions as Discussed in Closed Session***

(1) ***Preemptive Retention Salary Adjustment and Total Compensation for Mark R. Laret as Chief Executive Officer, Medical Center, San Francisco Campus***

<u>Background to Recommendation</u>

The UCSF Medical Center requested approval of a preemptive retention salary adjustment for Mark R. Laret, Chief Executive Officer. Funding would come exclusively from hospital operating funds and would not include State General Funds or student fee revenues.

The request includes an annual base salary increase of $195,300 and a graduated retention incentive arrangement that would bring his total cash compensation to $1,222,000 for year one. This request is in response to a recent recruitment effort by a major academic medical center in Boston affiliated with Harvard University. Because of the outstanding leadership he has demonstrated and his central role in the Mission Bay hospital project and fundraising campaign, it is essential for UCSF to retain Mr. Laret. UCSF Medical Center is in the midst of several important initiatives, including installation of a $160 million electronic medical record system to improve patient care and safety, and faces numerous challenges relating to national healthcare reform. Leadership continuity is critical at this important juncture.

Mr. Laret has been Chief Executive Officer of UCSF Medical Center since April 2000, leading one of the most distinguished health care institutions in the world. UCSF Medical Center is consistently ranked by *U.S. News and World Report* as one of the top ten hospitals in the United States and best in Northern California.

Mr. Laret is a nationally recognized leader in the health care industry with a distinguished 31-year career. For the past 16 years he has been an academic medical center Chief Executive Officer, responsible for two hospital turnarounds.

His peers nationally have elected him to serve as 2012 chair of the board of directors of the Association of American Medical Colleges, which represents the nation’s preeminent academic medical centers and more than 134 schools of medicine. He is past chair of the 400-member Council of Teaching Hospitals. He has served on boards of directors of the University Health System Consortium, the California Hospital Association and the Accreditation Council for Graduate Medical Education, which oversees residency training programs across the nation.

Mr. Laret served at UCLA Medical Center from 1980 to 1995 in a variety of leadership positions, including Medical Center Deputy Director and Chief Executive Officer of the 900-physician UCLA Medical Group, and he led the acquisition of Santa Monica Hospital. From 1995 to 2000 he was Chief Executive Officer of UC Irvine Medical Center, where he led a business turnaround that produced marked improvements in quality of care, patient satisfaction, and financial performance.

Under his leadership, UCSF Medical Center has become a national leader in quality and safety and has risen from a top twenty hospital nationally to top ten, currently ranked number seven. Financially, UCSF Medical Center was losing $60 million a year in 2000 and has since demonstrated consistently strong financial performance. In fiscal year 2011, UCSF

Medical Center will show an operating gain in excess of $175 million on $1.6 billion in patient care revenue – all without State support. Philanthropic support for the medical center has grown from almost zero to nearly $400 million. Cumulatively, over 11 years, UCSF Medical Center has generated more than $1.5 billion in new cash for the University, enabling improvements in facilities, equipment, and patient care and providing critical support for the UCSF School of Medicine, where State funding has eroded.

To accommodate growing demand and address seismic issues on UCSF campuses, Mr. Laret is spearheading development of a $1.5 billion UCSF hospital complex in the Mission Bay section of San Francisco, one of the single largest projects in the history of the University of California. The complex will include hospitals for children (now named UCSF Benioff Children's Hospital), women's specialty services, and cancer. Mr. Laret is leading a campaign to raise $600 million in private donations for the new facility, expected to open in late 2014. To date his efforts have resulted in pledges of $375 million, including two gifts of $100 million or more.

UCSF Medical Center proposes a retroactive base salary increase of $195,300, bringing Mr. Laret's annual base salary from $739,700 to $935,000, effective June 1, 2011. According to the 2010 COTH/Mercer IHN data, the proposed salary is 4.1 percent below the 50th percentile ($975,000) and 13.5 percent below the 75th percentile ($1,081,000) market data for teaching hospital system chief executive officers. However, based on the size, scope and national stature of UCSF Medical Center – as well as Mr. Laret's three decades of experience and proven track record – a base salary at or near the 75th percentile of the market is deemed appropriate and competitive to retain Mr. Laret. Other top ten institutions, such as the University of Pennsylvania, the University of Washington, and others provide total compensation ranging from $1.3 million to $2.3 million.

Another important reference point is the total cash compensation market data for teaching hospital chief executive officers. Total cash compensation proposed in this item includes an annual retention payment on a graduating scale designed as an incentive for Mr. Laret to remain at the helm of UCSF Medical Center until at least September 30, 2014, by which time the new hospital fundraising and construction and other critical initiatives are expected to be completed. If the UCSF Medical Center does not maintain a positive cash flow for a particular fiscal year, no retention incentive payment will be made to Mr. Laret the following September 30. The proposed total cash compensation of $1,222,000 for year one (fiscal year 2010-11) is equivalent to the 50th percentile market data for total cash compensation ($1,222,900) and 29.5 percent below the 75th percentile market data for total cash compensation ($1,732,500) for year one. By year four, the total cash compensation will fall between current 50th and 75th percentile market data for total cash compensation.

Preliminary compensation discussions with the recruiting institution are consistent with the market data references provided by the Mercer survey. As another point of reference, UCSF is approximately 14 percent larger in size and scope, considering number of beds, inpatient admissions, outpatient visits, full-time equivalent headcount, net revenue, and operating expenses. This serves as additional justification for the compensation package being proposed for Mr. Laret.

The UCSF funding for the proposed salary increase and retention incentive arrangement will be provided exclusively by hospital operating funds and will not include State General Funds or student fee revenues.

<u>Recommendation</u>

The President recommended approval of the following items in connection with the preemptive retention salary adjustment for Mark R. Laret as Chief Executive Officer, Medical Center, San Francisco campus:

a. Per policy, an adjustment to the base salary of $195,300 for a base salary of $935,000, SLCG Grade 118 (Minimum $585,000, Midpoint $760,400, Maximum $935,900).

b. As an exception to policy, this adjustment to base salary is to be effective retroactive to June 1, 2011, to be consistent with the withdrawal of Mr. Laret's candidacy in the outside recruitment effort.

c. As an exception to policy, a retention incentive payment will be made to Mr. Laret on September 30, 2011, and continuing annually thereafter for the next three years in accordance with the terms of the table below, provided that the conditions outlined below are satisfied. The retention incentive payment will be made annually through September 30, 2014 as long as Mr. Laret remains an active UC employee serving in the capacity of Chief Executive Officer, UCSF Medical Center, UCSF Campus on the scheduled payment date. This retention incentive arrangement is characterized as an exception to policy because there is no University or Regental policy that authorizes such an arrangement and because such an arrangement would not be permissible under the Senior Management Group Policy on Incentive Awards adopted in July 2010 because Mr. Laret is a participant in the Clinical Enterprise Management Recognition Plan.

i. Should Mr. Laret resign or be terminated for cause prior to September 30, 2014, Mr. Laret shall forfeit his right to any retention incentive payments that have not been made. Should Mr. Laret die or become unable to perform his duties as Chief Executive Officer, UCSF Medical Center due to disability, no further retention incentive payments established on the schedule will be made after the date of his death or disability, as applicable.

ii. If UCSF Medical Center does not have a positive cash flow as of the closing date (June 30) of any fiscal year, no retention incentive payment will be made on the following September 30.

iii. Retention incentive payments will not be prorated for a partial fiscal year of service.

iv. Retention incentive payments will not be subject to increases or decreases such as merit increases or furlough-related decreases.

v. Consistent with policy, these retention incentive payments will not be included in the calculation of:

(a) Clinical Enterprise Management Recognition Plan awards

(b) Senior management life insurance

(c) Executive salary continuation for disability

(d) Terminal vacation payout

(e) UC Retirement Plan covered compensation

(f) Senior Management Supplemental Benefit Plan payments

Retention Incentive Payment Date	**Retention Incentive Payment Amount**
September 30, 2011	$100,000
September 30, 2012	$200,000
September 30, 2013	$300,000
September 30, 2014	$400,000

d. Per policy, continued eligibility for additional non-base building incentive compensation as an eligible participant of the Clinical Enterprise Management Recognition Program with an annual target award of 20 percent of base salary and a maximum potential award of 30 percent of base salary. Actual award will be determined based on performance against pre-established goals and objectives.

e. Per policy, continued annual automobile allowance of $8,916.

f. Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

g. This appointment is at 100 percent time.

Recommended Compensation
Effective Date: June 1, 2011
Base Salary: $935,000
CEMRP (at 20 percent target rate): $187,000
Annual Retention Incentive: $100,000 in the first year (with annual increases up to a maximum of $400,000 in 2014)
Total Cash Compensation (TCC): $1,222,000 in the first year (with annual increases up to $1,522,000 in 2014 not including any merit increases or CEMRP incentive awards above target; actual CEMRP awards vary based on performance.)
Grade Level: SLCG Grade 118 (Minimum $585,000, Midpoint $760,400, Maximum $935,900)
50th Percentile Market Data for base salary only: $975,000
Percentage Difference from 50th Percentile Market Data for base salary only: 4.1 percent below market
75th Percentile Market Data for base salary only: $1,081,000
Percentage Difference from 75th Percentile Market Data for base salary only: 13.5 percent below market
50th Percentile Market Data for TCC: $1,222,900
Percentage Difference from 50th Percentile Market Data for TCC: In the first year ($1,222,000), zero percent; in 2014 ($1,522,000), 24.5 percent above market
75th Percentile Market Data for TCC: $1,732,500
Percentage Difference from 75th Percentile Market Data for TCC: In the first year ($1,222,000), 29.5 percent below market; in 2014 ($1,522,000), 12.2 percent below market
Funding Source: Hospital System revenue

Budget &/or Prior Incumbent Data
Title: Chief Executive Officer, Medical Center
Base Salary: $739,700

CEMRP (at 20 percent target rate): $147,940
Total Cash Compensation: $887,640
Grade Level: SLCG Grade 118 (Minimum $585,000, Midpoint $760,400, Maximum $935,900)
Funding Source: Hospital System 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).

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

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

B. ***Approval of Individual Partially or Fully State-Funded Compensation Actions as Discussed in Closed Session***

(1) ***Promotion, Title Change and Salary Adjustment for Santiago Muñoz as Associate Vice President – Chief Strategy Officer, Office of the President***

<u>Background to Recommendation</u>

The Office of the President requested approval of a promotion, title change, and salary adjustment for Santiago Muñoz, Associate Vice President – Clinical Services Development. Funding for the position is approximately 40 percent State General Funds, 40 percent Common Funds, and 20 percent clinical revenue.

Since Santiago Muñoz's appointment as Executive Director – Clinical Services Development, Office of the President, in 2004 and his subsequent appointment as Associate Vice President – Clinical Services Development in 2007, his responsibilities have greatly expanded to include the following:

- Lead strategist and negotiator for UC Health in systemwide contract negotiations with commercial insurers, including a deal being finalized this year with an incremental benefit of nearly $20 million annually. For the past three years, Mr. Muñoz has been the lead individual, working with managed care officers of the medical centers and practice plans, in negotiating systemwide contracts. These contracts have been integral to improving the financial performance of UC Health. This year alone, contracts will be re-negotiated with three plans. The strategic goal is to have all commercial contracts with the eight largest California payers signed by January 1, 2014, the date that the state insurance exchanges are implemented.

- Lead strategist and negotiator for UC Health in discussions with State, federal, and hospital industry leaders to renew the Medicaid waiver. These negotiations are in progress and have thus far been favorable to UC Health because of Mr. Muñoz's efforts. The waiver will provide $780 million annually to UC Health, including $110 million per year in incentive payments, if UC Health achieves certain negotiated clinical outcome goals.

- Lead strategist and negotiator on behalf of UC Health for the statewide Medi-Cal hospital provider fee (AB 1383 and AB 1653). For the 21 months ending June 30, 2011, Mr. Muñoz's negotiations are expected to produce approximately $229 million in additional revenue to the five UC medical centers.

- Lead strategist and negotiator for pursuing operational improvements and savings with insurers, including developing and implementing a clinical time-study tool to assess clinical productivity for physicians. Additionally, Mr. Muñoz is integrally involved in savings initiatives, including supply chain activities that have yielded systemwide savings of nearly $20 million in the current year.

- Operational responsibility for the UC-wide Center for Health Quality and Innovation. This center was established in 2011 with the goal of providing financial support for initiatives developed within UC Health that can be implemented systemwide and which improve the delivery, value, and safety of health care provided by UC Health. The center is capitalized through contributions from each of the five UC medical centers (total $5 million) and overseen by the six vice chancellors/deans of the schools of medicine and the five medical center CEOs. The Senior Vice President for Health Sciences and Services chairs this board. The Executive Director of the Center will report directly to Mr. Muñoz.

The complexity of negotiating both the Medi-Cal provider fee and the Medicaid waiver cannot be overstated. Mr. Muñoz has successfully navigated among a variety of constituencies, sensitively addressing their concerns and resolving their issues. Taken together, these monies should total more than $3.5 billion to UC Health over five years.

This is a critical time for the financial stability of the UC medical centers. Waiver and provider fee dollars are essential for continued funding of the academic programs of UC's health professional schools ($428 million in fiscal year 2009-2010).

UC Health created the Center for Health Quality and Innovation in February 2010. Capitalized by funds from the five UC medical centers, the Center's mission is to provide support for interdisciplinary projects that focus on cost, quality, access to health care, and workforce training. Center support will go to projects started at individual UC campuses that can be readily expanded to benefit all UC Health campuses. The Center will play a key role in positioning UC Health for initiatives and challenges accompanying health care reform for the foreseeable future.

Market data using the 2010 Mercer Integrated Health Networks (revenue of $1.5 billion or more) indicate that the median base salary for Mr. Muñoz's position is $303,600, and the total targeted cash compensation median is $370,250. The sources of funds for Mr. Muñoz's salary and incentive would be approximately 20 percent clinical revenue, 40 percent State General funds, and 40 percent Common Funds. Significantly, clinical funds would provide for the entire proposed increase in Mr. Muñoz's salary ($48,600).

Recommendation

The President recommended approval of the following items in connection with the promotion, title change and salary adjustment for Santiago Muñoz as Associate Vice President – Chief Strategy Officer, Office of the President:

a. Per policy, a promotional salary adjustment of 24.1 percent from $201,400 to $250,000, effective upon approval.

b. Re-slotting of Mr. Muñoz's position from SLCG Grade 106 to 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700) to reflect the new portfolio of responsibilities and to align with market and internal comparators.

c. A change in title from Associate Vice President – Clinical Services Development to Associate Vice President – Chief Strategy Officer.

d. Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

e. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan, with a target award of 15 percent of base salary ($37,500) and a maximum potential award of 25 percent of base salary ($62,500), with actual award dependent upon performance.

Recommended Compensation
Effective Date: Upon approval
Base Salary: $250,000
Clinical Enterprise Management Recognition Plan (CEMRP): $37,500 (at 15 percent target rate)
Total Cash Compensation: $287,500 (assuming CEMRP award at 15 percent target rate)
Grade Level: SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700)
Median Market Data (Base Salary Only): $303,600
Median Market Data (Total Targeted Cash): $370,250
Percentage Difference from Market: 17.7 percent below market (base) and 22.4 percent below market (total targeted cash)
Funding Source: Approximately 40 percent State General funds, 40 percent Common Funds, and 20 percent clinical revenue

Budget &/or Prior Incumbent Data
Base Salary: $201,400
Clinical Enterprise Management Recognition Plan (CEMRP): $30,210 (at 15 percent target rate)
Total Cash Compensation: $231,610 (assuming CEMRP award at 15 percent target rate)
Grade Level: SLCG Grade 106 (Minimum $154,200, Midpoint $195,200, Maximum $236,100)
Funding Source: 50 percent State General funds and 50 percent Common 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).

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 Ruiz**
Office of the President, Human Resources

(2) ***Promotional Appointment of and Total Compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources, Office of the President***

Background to Recommendation

The Office of the President requested approval of a promotional appointment of and total compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources. Funding would come from State Funds. The request includes an annual base salary increase of $27,500.

In September 2008, as part of the ongoing effort to increase organizational efficiencies at the Office of the President, a review team appointed by then Executive Vice President Lapp and chaired by UC Davis Vice Chancellor John Meyer submitted its report, titled "Organizing for Successful Delivery and Stewardship of Capital Assets." This report recommended that the systemwide Budget Office and Facilities Administration be merged. The report included a set of summary major recommendations as well as specific recommendations associated with several of the sub-areas of the newly-defined department.

The consolidation was launched in mid-April 2009 with the creation of a new Department of Budget and Capital Resources. Patrick Lenz, Vice President, Systemwide Budget, effectively doubled his portfolio from 20 full-time equivalent employees (FTE) and a budget of $2.5 million to a combined total budget of $5.8 million and 53 FTE. The new unit was renamed Budget and Capital Resources, and Vice President Lenz assumed the new title of Vice President – Budget and Capital Resources.

In addition to continuing to oversee systemwide capital and operating budgets, Vice President Lenz now has responsibility over the following areas:

- **Sustainability.** Provide systemwide leadership on issues related to sustainability; coordinate implementation of the University's policy on sustainable practices.

- **Plant, Energy, and Utilities.** Support and coordinate systemwide facilities renewal and deferred maintenance, plant operation and maintenance, and energy conservation and purchases.

- **Policy and Contract Administration.** Coordinate and administer contract policy, maintain guidelines and manuals, and provide regulatory and code expertise. Manage training programs.

- **Physical and Environmental Planning.** Support and coordinate University land use and site planning, including Long Range Development Plans and environmental assessment. Facilitate capital project approval and review.

- **Real Estate.** Real Estate Services Group: leadership and support for systemwide real estate activities.

Two associate vice president positions are in place to oversee systemwide Operating Budget matters and Capital Resources, respectively.

The proposed base salary of $300,000 is 2.3 percent below the midpoint for SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500). In addition, the proposed base salary is 1.4 percent below other incumbents at the Office of the President in SLCG Grade 110, and 10.2 percent above the Vice Chancellors – Budget and Resources at the campuses. Market data provided by the College and University Professional Association indicate a market median base salary of approximately $299,040.

This position is paid 100 percent from State General Funds.

<u>Recommendation</u>

The President recommended approval of the following items in connection with the promotional appointment of and total compensation for Patrick J. Lenz as Vice President – Budget and Capital Resources, Office of the President:

a. Promotional appointment of Patrick J. Lenz from Vice President – Budget to Vice President – Budget and Capital Resources.

b. Salary grade change from SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700) to SLCG Grade 110

(Minimum $239,700, Midpoint $307,200, Maximum $374,500), in recognition of the significant additional responsibilities.

c. Appointment salary of $300,000 per annum (SLCG Grade 110: Minimum $239,700, Midpoint $307,200, Maximum $374,500). This represents a 10.1 percent increase over current base salary of $272,500.

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

<u>Recommended Compensation</u>
Effective Date: Upon approval
Base Salary: $300,000
Bonus/Incentive: $0
Total Cash Compensation: $300,000
Grade Level: SLCG Grade 110 (Minimum $239,700, Midpoint $307,200, Maximum $374,500)
Median Market Data: $299,040
Percentage Difference from Market: 0.3 percent above market
Funding Source: State funds

<u>Budget &/or Prior Incumbent Data</u>
Title: Vice President – Budget
Base Salary: $272,500
Bonus/Incentive: $0
Total Cash Compensation: $272,500
Grade Level: SLCG Grade 109 (Minimum $214,700, Midpoint $274,300, Maximum $333,700)
Funding Source: State funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.
- Per policy, continued participation in the UC Home Loan Program, in accordance with all applicable policies.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University policy.

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 Ruiz**
Office of the President, Human Resources

[Background material 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.]

Committee Chair Ruiz noted that the Committee had reviewed the three compensation items extensively the previous day in closed session.

Faculty Representatives Anderson and Simmons and Regent Newsom expressed opposition to item A (1) above.

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

3. **AMENDMENT OF REGENTS POLICY 7203: UNIVERSITYWIDE AND SENIOR LEADERSHIP COMPENSATION**

The President recommended that Regents Policy 7203, Policy on Universitywide and Senior Leadership Compensation, be amended as shown in Attachment 1.

[Background material 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.]

Committee Chair Ruiz briefly introduced the item.

Executive Director Larsen explained that Regents Policy 7203, adopted in November 2005, established the goal of obtaining, prioritizing, and directing funds to bring salaries to market for all groups of employees over a ten-year period, commencing in fiscal year 2005-06 and ending in fiscal year 2014-15. This policy requires that the Regents allocate to each campus and to the Office of the President a specific merit budget during each year when funds are available.

The Regents currently approve, as part of the annual budgeting process, any systemwide merit or salary increase budget for employees. However, Regental approval of how such funds are allocated to each of the campuses and to the Office of the President is inconsistent with the President's role as steward of the operational and transactional aspects of the University. Determining allocations for each campus is a responsibility that more appropriately rests with the President as a means of implementing the policy goals established by the Regents. Therefore, the current action proposed to amend the 2005 policy and to rescind the requirement that the Regents approve campus-specific and

Office of the President salary funding levels and priorities for the use of those funds, for all groups of employees. All other aspects of this policy would remain unchanged.

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

The meeting adjourned at 9:20 a.m.

Attest:

Secretary and Chief of Staff

Attachment 1

Deletions shown by strikethrough

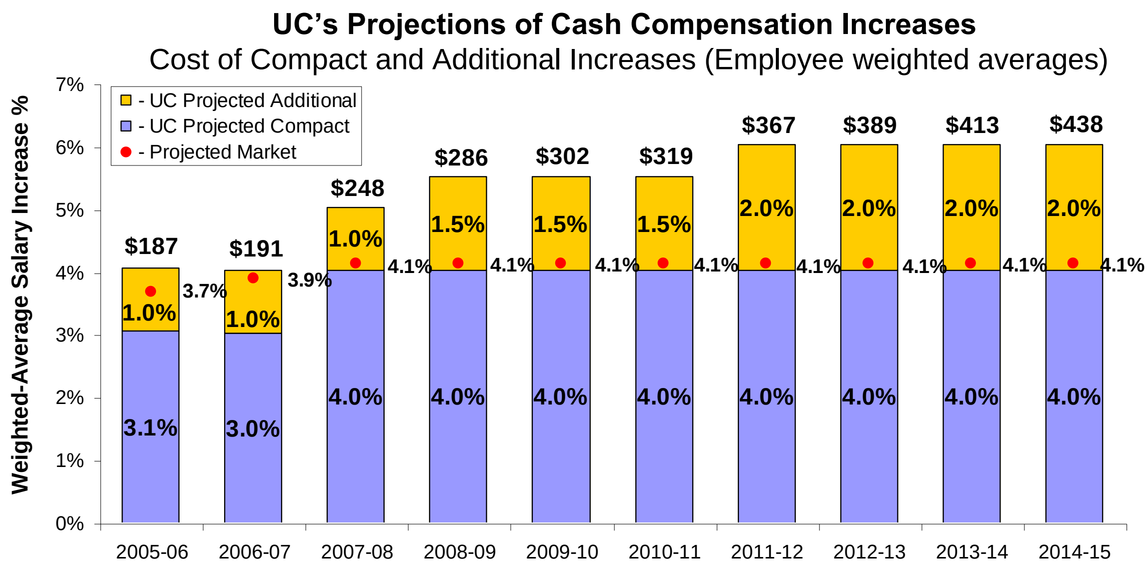
Regents Policy 7203: POLICY ON UNIVERSITYWIDE AND SENIOR LEADERSHIP COMPENSATION

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

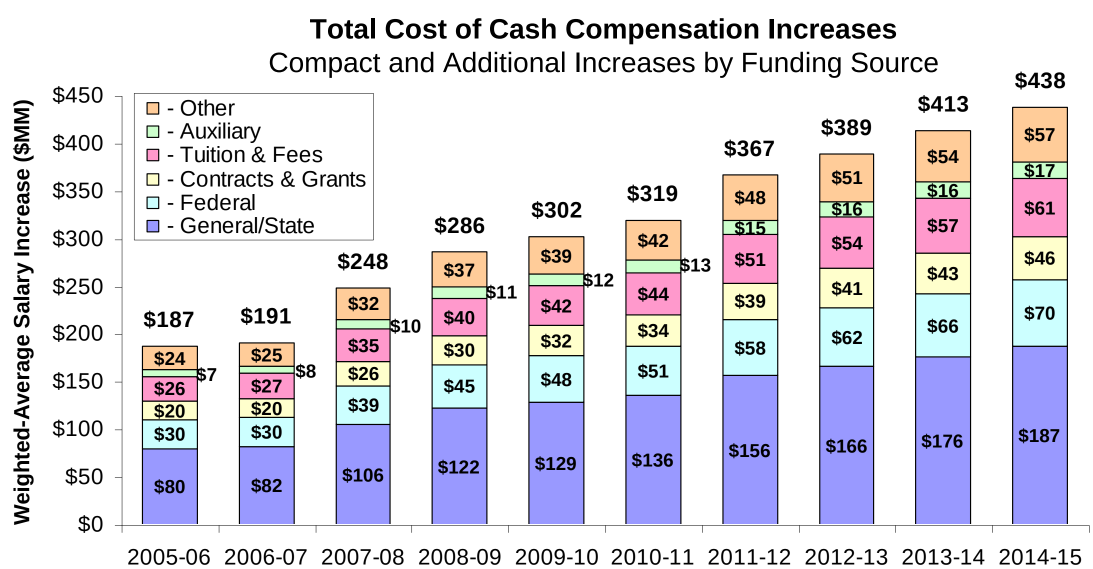
Attachment 1

TO ESTABLISH GOALS TO OBTAIN, PRIORITIZE, AND ALLOCATE FUNDS, TO THE EXTENT THEY ARE AVAILABLE, TO INCREASE SALARIES TO ACHIEVE MARKET COMPARABILITY FOR ALL GROUPS OF EMPLOYEES OVER THE TEN-YEAR PERIOD FROM 2006-2007 THROUGH 2015-2016.

The following tables show the proposed goals for *cash* compensation and sources of funds over the next ten years to achieve market comparability. The *total* cost of achieving comparability (in current dollars) is $2.5 billion using a 4.0 percent growth rate.



NOTE: Salary increase percentages provided by UCOP; total cost based on payroll at Campuses and UCOP as of March, 2005



NOTE: Percent breakdown of funding sources provided by UCOP and remain constant over time

In summary, the recommendations will result in the following actions, which are described in more detail in the policies, priorities, and process for senior leadership discussed in Recommendation B below and Appendix 1.

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

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

~~The Regents will set annually Universitywide and campus-specific funding levels and priorities for the use of funds, as recommended by the President, for all groups of employees, considering such factors as total compensation discrepancies, retention, recruitment, performance, and other matters.~~