

The Regents of the University of California

COMMITTEE ON COMPENSATION

May 16, 2012

The Committee on Compensation met on the above date at the Sacramento Convention Center, 1400 J Street, Sacramento.

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

In attendance: Regents De La Peña, Hallett, Island, Mireles, Newsom, Reiss, Schilling, Torlakson, Wachter, and Zettel, Regents-designate Rubenstein and Stein, Faculty Representative Powell, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Allen-Diaz, Darling, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Blumenthal, Desmond-Hellmann, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary Johns

The meeting convened at 1:55 p.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 March 29, 2012 were approved.

2. APPROVAL OF INDIVIDUAL PARTIALLY OR FULLY STATE-FUNDED COMPENSATION ACTIONS AS DISCUSSED IN CLOSED SESSION

A. *Extension of Term Appointment of and Total Compensation for Martha Arvin as Systemwide Health Sciences Privacy Liaison, Office of Ethics, Compliance and Audit Services, Office of the President*

Background to Recommendation

On May 4, 2011, the Regents approved an administrative stipend of \$30,000 (12.25 percent) through May 31, 2012 in recognition of the increased scope of responsibilities associated with the Systemwide Health Sciences Privacy Liaison role, thereby increasing Martha Arvin's base salary of \$244,902 to \$274,902. The only part of Ms. Arvin's compensation that is partially or fully State-funded is the stipend. Ms. Arvin's position as Chief Compliance Officer, UCLA Health Sciences, Los Angeles campus is non-State funded.

Approval was requested to extend the term appointment and the associated stipend for Martha Arvin as Systemwide Health Sciences Privacy Liaison, Office of the President, from June 1, 2012 to May 31, 2013. Ms. Arvin's primary appointment as the Chief Compliance Officer, UCLA Health Sciences, Los Angeles campus (SLCG Grade 108) for the Hospital System is not affected by this term appointment.

This stipend will be funded partially or fully through State funds.

The Systemwide Health Sciences Privacy Liaison is responsible for coordinating with the Chief Information Security and Privacy Officer (CISPO) on systemwide information security and privacy initiatives that affect the health sciences and the medical centers.

Ms. Arvin's appointment resulted in the elimination of the Systemwide Privacy Officer position, resulting in a cost saving of a \$155,000 annual base salary. The Systemwide Health Sciences Privacy Liaison plays a crucial role in communicating and managing privacy risk within the health sciences and medical centers. The University was able to leverage a health system campus resource, an employee who is an expert in this area and who is able to best address the central aspects of health system privacy issues for the UC system.

Recommendation

The President recommended approval of the following items in connection with the extension of the term appointment of and total compensation for Martha Arvin as Systemwide Health Sciences Privacy Liaison, Office of Ethics, Compliance and Audit Services, Office of the President:

- (1) The extension of the term appointment for Martha Arvin as Systemwide Health Sciences Privacy Liaison, effective June 1, 2012 through May 31, 2013, or until another Systemwide Health Sciences Privacy Liaison is appointed, whichever occurs first. Over the past year, Ms. Arvin has provided sufficient coverage due to her expertise in this niche field for the entire systemwide health sciences.
- (2) As an exception to policy, continuation of the previously approved administrative stipend of \$30,000 (12.25 percent of annual base salary) in ongoing recognition of Ms. Arvin's additional responsibilities as Systemwide Health Sciences Privacy Liaison, thereby increasing Ms. Arvin's total annual salary from \$244,902 to \$274,902. This constitutes an exception to policy because the stipend is beyond the one year allowed by policy. Ms. Arvin's salary of \$244,902 as Chief Compliance Officer (SLCG Grade 108) will continue to be paid by UCLA Health Sciences. The stipend is partially or fully State-funded.

Ms. Arvin's position as Chief Compliance Officer is not affected by this term appointment.

- (3) Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with a target award of 15 percent of annual salary (\$36,735) and a maximum potential award of 25 percent of annual salary (\$61,225). Actual award will be determined based on performance against pre-established objectives. Ms. Arvin's CEMRP eligibility is solely for her role as the Chief Compliance Officer, UCLA Health Sciences.
- (4) Per policy, continued contribution to the Senior Management Supplemental Benefit Program of five percent of total annual salary. Total annual salary consists of base salary and stipend.
- (5) Per policy, continued standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: June 1, 2012 through May 31, 2013

Base Salary: \$244,902

Stipend: \$30,000 (12.25 percent of base salary)

CEMRP: \$36,735 (at target rate of 15 percent)

Target Cash Compensation (with CEMRP at target rate of 15 percent and stipend):* \$311,637

Grade Level: SLCG Grade 108

(Minimum \$192,300, Midpoint \$244,900, Maximum \$297,400)

Funding Source: partially or fully State-funded position

Budget &/or Prior Incumbent Data

Base Salary: \$244,902

Stipend: \$30,000 (12.25 percent of base salary)

CEMRP: \$36,735 (at target rate of 15 percent)

Target Cash Compensation (with CEMRP at target rate of 15 percent and stipend):* \$311,637

Grade Level: SLCG Grade 108

(Minimum \$192,300, Midpoint \$244,900, Maximum 297,400)

Funding Source: partially or fully State-funded position

*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

COMPETITIVE ANALYSIS

No Market Data Available

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: Senior Vice President and Chief Compliance and Audit Officer Vacca
Reviewed by: President Yudof
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

B. *Extension of Term Appointment of and Total Compensation for Donald A. Barclay as Interim University Librarian, Merced Campus*

Background to Recommendation

The Merced campus requested approval to continue the term appointment of and total compensation for Donald A. Barclay as Interim University Librarian for an additional one-year period, from July 1, 2012, through June 30, 2013, or until a new University Librarian is appointed, whichever occurs first.

The prior incumbent resigned effective June 30, 2011, and Mr. Barclay was first appointed as Interim University Librarian on July 1, 2011. Extending the appointment of Mr. Barclay for an additional year will allow the incoming Provost/Executive Vice Chancellor to determine how best to fill the position on a long-term basis. The campus anticipates it will conduct a national search for a permanent appointee.

There is no change to Mr. Barclay's current base salary of \$140,000 or his 100 percent time interim appointment rate.

This position will be partially or fully State-funded.

Recommendation

The President recommended approval of the following items in connection with the extension of the term appointment of and total compensation for Donald A. Barclay as Interim University Librarian, Merced campus:

- (1) Extension of the term appointment effective July 1, 2012 through June 30, 2013, or until a new University Librarian is appointed, whichever occurs first.
- (2) Per policy, continued base salary of \$140,000 at SLCG Grade 104 (Minimum \$123,800, Midpoint \$155,600, Maximum \$187,500).
- (3) Per policy, continued standard pension and health and welfare benefits.
- (4) This appointment is at 100 percent time.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: July 1, 2012

Title: Interim University Librarian, UC Merced

Base Salary: \$140,000

Target Cash Compensation:* \$140,000

Grade Level: SLCG Grade 104

(Minimum \$123,800, Midpoint \$155,600, Maximum \$187,500)

Funding Source: partially or fully State-funded position

Budget &/or Prior Incumbent Data

Title: Interim University Librarian, UC Merced

Base Salary: \$140,000

Target Cash Compensation:* \$140,000

Grade Level: SLCG Grade 104

(Minimum \$123,800, Midpoint \$155,600, Maximum \$187,500)

Funding Source: partially or fully State-funded position

*Target Cash Compensation – Includes base salary and incentive and / or stipend, as applicable.

COMPETITIVE ANALYSIS

	BASE SALARY MARKET PERCENTILES				
Percentiles	25 th	50 th	Mean	75 th	90 th
Market Data	\$188,609	\$215,842	\$231,132	\$263,068	\$334,555
% Difference from Market	-25.8%	-35.1%	-39.4%	-46.8%	-58.2%

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 Merced Chancellor Leland
Reviewed by: President Yudof
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 briefly introduced the items. Executive Director Larsen noted that the two items were requests for the extension of existing terms.

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

3. **APPROVAL OF TOTAL COMPENSATION FOR PRADEEP K. KHOSLA AS CHANCELLOR, SAN DIEGO CAMPUS AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The top candidate identified in the international search for the next Chancellor of the University of California, San Diego, is an outstanding leader, educator, and researcher whose many accomplishments reflect his passionate interests in undergraduate education, multidisciplinary graduate programs, curriculum reform, and international outreach, as well as research, organizational development, and diversity.

During nearly eight years as Dean of the College of Engineering, also known as the Carnegie Institute of Technology, at Carnegie Mellon University, Pradeep K. Khosla has proved to be a versatile, entrepreneurial leader with a global vision and an educational innovator dedicated to improving the quality of life for students, faculty, and staff. The College of Engineering was ranked sixth nationally in the 2011 *U.S. News and World Report* survey and 12th in the world by the 2011-12 *Times Higher Education* World University Rankings. As Dean, he sets the strategic direction for undergraduate and graduate education and for research. Several strategic initiatives he has launched since becoming Dean in July 2004 have resulted in doubling of the College of Engineering's budget to \$180 million and also a near doubling in the number of Ph.D. students. Under his leadership, the College of Engineering has increased the number of women and students of color in its graduate programs by more than 75 percent and established international programs in Japan, Korea, Portugal, China and Rwanda. His leadership in fundraising from industry, federal and State government, foundations, and alumni has benefited both the college and the university; he has played a central role in a \$100 million fundraising campaign for a university-wide energy institute and a \$90 million campaign for a 100,000-square-foot College of Engineering building for biotechnology, energy, and nanotechnology.

A strong believer in the role of a research university as an economic engine within the community and the country, he has been active in the Pittsburgh community. He serves on the boards of several nonprofit organizations, including The Children's Institute, IIT Foundation, Mellon-Pitt Corporation and the Pittsburgh Technology Council. He has served on the advisory boards of several universities.

Mr. Khosla grew up in Bombay (now Mumbai), India. He earned his M.S. and Ph.D. degrees in electrical and computer engineering at Carnegie Mellon in 1984 and 1986, after graduating from the Indian Institute of Technology with a bachelor's degree in electrical engineering in 1980. Having been awarded the Philip and Marsha Dowd Professorship in 1998, he was elected University Professor in 2008. During his years at Carnegie Mellon, in addition to teaching, writing, and undertaking research, he served as head of the Department of Electrical and Computer Engineering, director of the Information Networking Institute, and founding director of the Carnegie Mellon CyLab, and the Institute for Complex Engineered Systems.

The author of three books and hundreds of scholarly articles, Mr. Khosla was awarded the Computers in Engineering Lifetime Achievement Award of the American Society of Mechanical Engineers (ASME) in 2009. He was elected a member of the National Academy of Engineering in 2006, a Fellow of the Indian Academy of Engineering in 2011, an Honorary Fellow of the Indian Academy of Science in 2012, and a Fellow of the Association for the Advancement of Artificial Intelligence in 2003 "for significant contributions to automated modeling, reconfiguration, and design of robotic and real-time software systems, and for encouraging the field through professional leadership."

Recommendation

The President recommended approval of the following items in connection with the total compensation for Pradeep K. Khosla, contingent upon and effective with Mr. Khosla's appointment by the Regents as Chancellor of the San Diego campus:

- A. Per policy, an annual salary of \$411,084, funded by State and other sources. This represents a 4.8 percent increase over the previous incumbent's salary. The amount of the increase will be funded entirely from non-State sources.
- B. Per policy, annual automobile allowance of \$8,916.
- C. Per policy, a University-provided house near campus suitable for the duties as Chancellor for the duration of the renovation of the campus University House, to be paid for with non-State funds.
- D. Per policy, a relocation allowance of \$102,771 (25 percent of annual base salary) to be paid in equal annual installments over a four-year period, subject to limitations under the policy. If Mr. Khosla leaves the University prior to the end of this four-year period, he will forfeit any remaining payments.

- E. Per policy, the University will arrange for packing and relocation of household goods and personal effects associated with the initial relocation to San Diego and the subsequent move to the campus University House, when renovations are complete. The University will also arrange to pack and move Mr. Khosla's personal library and other related equipment and materials, subject to the limitations under University policy.
- F. Consistent with past practice, when Mr. Khosla leaves the Chancellor position and returns to the University faculty at a UC campus, the University will arrange for the relocation of personal belongings, including Mr. Khosla's library and other related laboratory equipment and materials to a location of his choice in California.
- G. Per policy, eligibility to participate in the Mortgage Origination Program, in accordance with all applicable policies when stepping down as Chancellor, if Mr. Khosla assumes a tenured faculty position at San Diego or at another UC campus.
- H. Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.
- I. If Mr. Khosla maintains an active research program during his appointment as Chancellor, an annual allocation of campus funding will be established for this research during the term as Chancellor.
- J. Reimbursement of reasonable travel expenses, as defined by policy, for all business-related visits to the campus prior to Mr. Khosla's official start date.
- K. 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).
- L. Per policy, accrual of sabbatical credits as a member of tenured faculty.
- M. Per policy, ineligible to participate in the Senior Management Supplemental Benefit Program due to tenured faculty appointment.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: On or about August 1, 2011

Base Salary: \$411,084

Target Cash Compensation:* \$411,084

Funding Source: partially or fully State-funded

Budget &/or Prior Incumbent Data

Title: Chancellor

Base Salary: \$392,200

Target Cash Compensation:* \$392,200

Funding Source: partially or fully State-funded

* Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

COMPETITIVE ANALYSIS

2011 University Chancellor Compensation Survey, Mercer

	BASE SALARY		
	Public Institutions Or (FCG)*	Public & Private Institutions (FCG)*	AAU Public Institutions
Median Market	\$461,000	\$550,000	\$437,000
UCSD % Diff. from Market	-10.8%	-25.3%	-5.9%

* Full Comparison Group (FCG) defined by California Postsecondary Education Commission (CPEC), utilizes 26 public and private institutions in setting compensation.

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 briefly introduced this item to approve the compensation for the new chancellor at UC San Diego. He noted that the appointment of the new chancellor would be voted on directly by the full Board in the following session.

On behalf of President Yudof, Executive Vice President Brostrom recommended Pradeep Khosla as the eighth chancellor of UC San Diego. Mr. Khosla is a distinguished, world-renowned electrical and computer engineer with expertise in embedded software, intelligence systems, and cyber security, as well as one of the leading university administrators in the U.S. Throughout the selection process, Mr. Khosla demonstrated the transformative vision, passion, and imagination that the University seeks in its chancellors. Mr. Brostrom stressed that under the current fiscal limitations, the University was extraordinarily fortunate in recruiting an individual of Mr. Khosla’s caliber to lead the San Diego campus. His remarkable academic and administrative background would

be critical to the campus' ongoing success, and his strong leadership skills would be essential in bringing UC San Diego's academic excellence and public service mission to even greater heights.

Executive Director Larsen outlined the elements of the compensation package being proposed.

Regent Torlakson thanked the search committee and President Yudof for bringing this outstanding candidate forward. He anticipated that Mr. Khosla would help advance the State's efforts to promote the teaching of science, technology, engineering, and mathematics in K-12 schools. Regent Torlakson underscored his view that the compensation package being proposed was fair and at the same time showed awareness of the economic constraints now experienced by UC. The portion of the compensation paid for by State funds would be the same as for the current chancellor, while the additional amount would come from philanthropic sources. The overall proposed compensation was less than Mr. Khosla was currently earning at Carnegie Mellon University. The University was fortunate in having secured this candidate as the new chancellor of the San Diego campus.

Regent Newsom expressed agreement with Regent Torlakson's remarks, but stated that he would vote against this action when it came before the full Board. It was difficult to reconcile this salary action with the surrounding fiscal circumstances. The University must recruit the most talented individuals, but the timing of this action was not appropriate. He recognized the difficulty of present and future choices facing the Regents at the same time as they seek to recruit highly qualified individuals. He observed that public employees in California would soon experience significant reductions, and there would likely be a tuition increase.

Regent Kieffer expressed strong disagreement with Regent Newsom. He recalled that Mr. Khosla would be taking a salary reduction from his current position. The current chancellor's salary, which had not been increased in nearly five years, was not an appropriate basis for comparison. It is very difficult to recruit a chancellor in the current environment. The University was very fortunate in being able to recruit this candidate, who runs a preeminent school of engineering, at a favorable rate. The fact that chancellors and presidents play an important role in fundraising and proper management of a university must be recognized. Over the long term, Mr. Khosla's contribution in these areas would far exceed the present cost represented by the salary increase above the current chancellor's salary. Regent Kieffer wholeheartedly endorsed the search committee's decision and the President's successful negotiation of a compensation package with a salary lower than the candidate's current salary. This action was appropriate.

Regent Newsom stated that without regard to the source of funds, the salary amount being offered was a raise in relation to the current chancellor's salary. He expressed his view that at a certain point, the University could not continue to raise salaries. This action would create pressure to raise other salaries. The relocation allowance of approximately

\$100,000 in this case was a de facto bonus. This kind of salary increase contributes to a situation in the United States where executive compensation has increased from 25 times to 275 times the compensation of front-line employees. Regent Newsom stated that the environment the University is operating in suggests that UC needs to run its business differently.

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 2:10 p.m.

Attest:

Secretary and Chief of Staff