

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

July 17-18, 2013

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

Members present: Regents Blum, De La Peña, Feingold, Flores, Gould, Island, Kieffer, Lansing, Makarechian, Newsom, Reiss, Ruiz, Schultz, Varner, Yudof, and Zettel

In attendance: Regents-designate Engelhorn and Leong Clancy, Faculty Representatives Jacob and Powell, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Provost Dorr, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Lenz, Mara, and Sakaki, Chancellors Block, Blumenthal, Desmond-Hellmann, Dirks, Drake, Katehi, Khosla, and Yang, Acting Chancellor Conoley, and Recording Secretary McCarthy

The meeting convened at 11:30 a.m. with Chairman Varner presiding.

Chairman Varner expressed the Board's admiration and gratitude to former Chairman Lansing for her leadership and for facing difficult situations with boldness, grace, and civility. She had served as an outstanding ambassador for the University and had improved the relationship between the Regents and students. Chairman Varner praised Regent Ruiz for his work on the Board and looked forward to working with him as Vice Chair.

1. **REPORT OF THE SPECIAL COMMITTEE ON SELECTION OF A STUDENT REGENT**

Appointment of 2014-15 Student Regent

The Special Committee recommended that Sadia Saifuddin, an undergraduate student at the University of California, Berkeley, be appointed a Regent of the University of California to serve for the period July 1, 2014 through June 30, 2015, and that she serve as Regent-designate, effective immediately, until the appointment becomes effective.

Regent Reiss referred to remarks made earlier that day during the public comment period and to many communications received by the Regents, some for and some against the appointment of Sadia Saifuddin as student Regent. The main reason for the passion felt on both sides was Ms. Saifuddin's activism on behalf of Palestinian rights and support of a resolution seeking to boycott and divest from Israel. Many in the Jewish community are concerned that the activism of Ms. Saifuddin and others is connected with anti-Semitism. Not unexpectedly, when dealing with a divisive and emotional political issue, many

claims and accusations were made, some true, some exaggerated, and some false. It is incumbent upon the Regents to make decisions based on truth, guided by high principles and standards. The Special Committee was aware and respectful of the concerns expressed by opponents of Ms. Saifuddin's appointment.

Regent Reiss stated that Ms. Saifuddin is a remarkable young woman and student, and committed to supporting all UC students. The members of the Special Committee would not have selected Ms. Saifuddin if they thought she were anti-Semitic and did not believe her commitment to represent and serve all UC students regardless of religion or political point of view. A number of UC Jewish student leaders sent letters of support for Ms. Saifuddin, disagreeing strongly with her position on Israel but supporting her service as student Regent. The President and the Board leadership do not support the resolution to boycott and divest from Israel. The University is actively committed to campus climate, so that every member of the UC community is respected regardless of race, religion, national origin, sexual orientation, or political point of view. UC is committed to protecting the First Amendment rights of all. The Regents had received a commitment from Ms. Saifuddin to support these important rights and values as a member of the Board. Regent Reiss observed that it takes time to break down barriers and build trust.

Regent Lansing read a statement on behalf of herself, President Yudof, and Regents Varner and Ruiz: "We are voting for Sadia because the procedures that led to her nomination and brought us to today's vote were all thoroughly vetted and they were pursued correctly. We disagree with Sadia's position on divestment, but we do so respectfully, and we leave you, Sadia, with the hope that you are going to be as supportive of the values of free speech and civility of discourse for opposing points of view as well as your own."

Regent Ruiz stressed the value of the student Regents to the Board and expressed confidence in the selection process.

Regent Blum described his support for humanitarian projects in Muslim countries and expressed his concern about efforts to implement a boycott against Israel, which are very divisive. The student Regent must represent all students without alienating large numbers of people.

Upon motion of Regent Zettel, duly seconded, the recommendation of the Special Committee on Selection of a Student Regent was approved, Regent Blum abstaining.

Ms. Saifuddin thanked her supporters and looked forward to her work as student Regent. She stated that her motivation to serve as student Regent was based on experience as a full-time student working multiple jobs, as a student leader on campus, and as the daughter of an immigrant. She stated that she did not only hope, but believed that there is a solution to the University's challenges.

The Regents recessed at 11:50 a.m.

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The Regents reconvened at 11:35 a.m. on July 18, 2013 with Chairman Varner presiding.

Members present: Regents Blum, De La Peña, Feingold, Gould, Island, Kieffer, Lansing, Makarechian, Pattiz, Reiss, Ruiz, Schultz, Varner, Yudof, and Zettel

In attendance: Regents-designate Engelhorn, Leong Clancy, and Saifuddin, Faculty Representatives Jacob and Powell, Associate Secretary Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Provost Dorr, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Desmond-Hellmann, Dirks, Drake, Katehi, Khosla, and Yang, Acting Chancellor Conoley, and Recording Secretary McCarthy

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

Upon motion duly made and seconded, the minutes of the meeting of May 15-16 and the meetings of the Committee of the Whole of May 15 and 16, 2013 were approved.

3. **REPORT OF THE PRESIDENT**

The President presented his report concerning University activities and individuals. Four UC faculty members were selected as Pew Scholars in the Biomedical Sciences. The Pew Scholars Program encourages early career scientists with outstanding promise. Professor Susan Wessler of UC Riverside was elected to membership in the American Philosophical Society. Founded by Benjamin Franklin in 1743, it is the oldest learned society in the U.S. devoted to scientific and scholarly inquiry. The Office of the President has been selected by the Council for Advancement and Support of Education as a recipient of its 2013 Circle of Excellence Bronze Award in public relations and community relations projects.

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

The Committee presented the following from its meeting of July 17, 2013:

A. ***Approval of Internal Audit Plan 2013-14***

The Committee reported its approval of the Internal Audit Plan 2013-14.

B. ***Approval of Ethics and Compliance Program Plan for 2013-14***

The Committee reported its approval of the Ethics and Compliance Program Plan for 2013-14.

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

5. REPORT OF THE COMMITTEE ON COMPENSATION

The Committee presented the following from its meeting of July 18, 2013:

Appointment of and Compensation for Acting Chief Investment Officer, Office of the President

The Committee recommended approval of the following items in connection with the appointment of and compensation for Melvin L. Stanton and Randolph E. Wedding as Co-Acting Chief Investment Officers, Office of the Chief Investment Officer, Office of the President:

- A. Appointment of Melvin L. Stanton and Randolph E. Wedding as Co-Acting Chief Investment Officers, effective upon approval and continuing until a new Chief Investment Officer and Vice President – Investments is appointed.
- B. No change to Mr. Stanton's or to Mr. Wedding's compensation is recommended. Mr. Stanton's annual base salary is \$306,800, and Mr. Wedding's annual base salary is \$374,500.
- C. Both Mr. Stanton and Mr. Wedding are eligible to participate in the Office of the Treasurer Annual Incentive Plan. Mr. Stanton is eligible to participate with a target award of 60 percent of base salary (\$184,080) and a maximum potential award of 120 percent of base salary (\$368,160). Mr. Wedding is eligible to participate with a target award of 60 percent of base salary (\$224,700) and a maximum potential award of 120 percent of base salary (\$449,400). Actual awards will be determined based on performance against pre-established objectives. Awards are paid out over a three-year period, with 50 percent paid out in the first year and 25 percent paid out in each of the following two years.
- D. Per policy, continuation of standard pension and health and welfare benefits for Mr. Stanton and Mr. Wedding.
- E. Per policy, continuation of standard senior management benefits (including senior management life insurance and executive salary continuation for disability) for Mr. Stanton and Mr. Wedding.
- F. Per policy, continuation of a five percent monthly contribution to the Senior Management Supplemental Benefit Program for Mr. Stanton and Mr. Wedding.

The compensation described above shall constitute the University's total commitment until modified by the Regents or President, as applicable under Regents policy, 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
Chairman of the Board of Regents Varner
Reviewed by: Office of the President, Human Resources

Upon motion of Regent Kieffer, duly seconded, the recommendation of the Committee on Compensation was approved.

6. REPORT OF THE COMMITTEE ON EDUCATIONAL POLICY

The Committee presented the following from its meeting of July 18, 2013:

Amendment of Regents Policy 7401: The Faculty Code of Conduct and the Policy on Faculty Conduct and the Administration of Discipline

The Committee recommended that Regents Policy 7401: The Faculty Code of Conduct and the Policy on Faculty Conduct and the Administration of Discipline be amended as shown in Attachments 1 and 2.

Upon motion of Regent Reiss, duly seconded, the recommendation of the Committee on Educational Policy was approved.

7. REPORT OF THE COMMITTEE ON FINANCE

The Committee presented the following from its meeting of July 17, 2013:

A. *Faculty Housing Reserve Fund – Reallocation of a Portion of the Original Investment and Earnings*

The Committee recommended that \$10 million of the Faculty Housing Reserve Fund balance be reallocated to address important academic priorities.

B. *Technical Amendment of Approval of Professional Degree Supplemental Tuition Levels for 2012-13*

The Committee recommended that the *Approval of Professional Degree Supplemental Tuition Levels for 2012-13*, approved at the July 2012 meeting, be amended as follows:

Additions shown by underscoring; deletions shown by strikethrough

The President, with the Provost's endorsement, recommends that the Committee on Finance recommend that the Regents approve the proposed Professional Degree Supplemental Tuition levels ~~for 2012-13~~ effective August 1, 2012 for the 57 programs shown in Attachment 1, 2012-13 Proposed Professional Degree Supplemental Tuition Levels.

C. ***Professional Degree Supplemental Tuition Levels for New Programs and Nursing Programs Effective August 1, 2013***

The Committee recommended that the Regents approve the proposed Professional Degree Supplemental Tuition increases, effective August 1, 2013, for the University's four Nursing programs, and the Professional Degree Supplemental Tuition levels, also effective August 1, 2013, for Games and Playable Media (Santa Cruz), Health Services – Physician Assistant Studies (Davis), Technology and Information Management (Santa Cruz), and Translational Medicine (Berkeley/San Francisco), as shown in Display 1.

DISPLAY 1: Proposed Professional Degree Supplemental Tuition Initial Levels and Increases Effective August 1, 2013

	Current PDST Levels		Proposed Increases				Proposed PDST Levels Effective 8/1/2013	
	Resident	Nonresident	<u>Resident</u>		<u>Nonresident</u>		Resident	Nonresident (a)
			\$	%	\$	%		
Nursing								
Davis	\$7,740	\$7,740	\$618	8.0%	\$618	8.0%	\$8,358 (b)	\$8,358 (b)
Irvine	\$7,740	\$7,740	\$618	8.0%	\$618	8.0%	\$8,358 (b)	\$8,358 (b)
Los Angeles	\$7,740	\$7,740	\$618	8.0%	\$618	8.0%	\$8,358 (b)	\$8,358 (b)
San Francisco	\$7,740	\$7,740	\$618	8.0%	\$618	8.0%	\$8,358 (b)	\$8,358 (b)
Games and Playable Media								
Santa Cruz	N/A	N/A	N/A	N/A	N/A	N/A	\$28,900 (b)	\$28,900 (b)
Health Services - Physician Assistant Studies								
Davis	N/A	N/A	N/A	N/A	N/A	N/A	\$10,440 (b)	\$10,440 (b)
Technology and Information Management								
Santa Cruz	N/A	N/A	N/A	N/A	N/A	N/A	\$23,000 (b)	\$14,000 (b)
Translational Medicine								
Berkeley (Jt. San Francisco)	N/A	N/A	N/A	N/A	N/A	N/A	\$30,330 (b)	\$30,330 (b)

(a) Some schools have opted to set PDST levels for nonresident students lower than those for resident students in the same program in acknowledgement of the \$12,245 in Nonresident Supplemental Tuition that nonresident students must pay in addition to mandatory systemwide charges and PDST. For those schools, total charges for nonresident students continue to be above those for resident students.

(b) Total charges (i.e., PDST plus required tuition and fees) are expected to exceed the total tuition and/or fees charged by public comparison programs.

D. ***Budget for Office of the President for Fiscal Year 2013-14***

The Committee recommended that the University of California Office of the President fiscal year 2013-14 budget, as shown in Attachment 3, be approved.

E. ***University of California Retirement Plan – University and Member Contribution Rates for Plan Year 2014-15***

The Committee recommended that:

- (1) University contribution rates to the University of California Retirement Plan (UCRP or Plan) beginning in Plan Year 2014-15 be 14 percent for all

member classes other than Tier Two and seven percent for Tier Two members.

- (2) Member pretax contribution rates beginning in Plan Year 2014-15 be increased to eight percent for 1976 Tier members (as defined in the Plan) and nine percent for Safety members, subject to collective bargaining. Member contributions, other than the contributions of 2013 Tier members (as defined in the Plan), shall continue to be reduced by \$19 per month.
- (3) The University contributions and the member contributions for the Lawrence Berkeley National Laboratory (LBNL) segment of UCRP be made on the same basis as in paragraphs (1) and (2) above, subject to the terms of the University's contract with the Department of Energy and subject to collective bargaining for represented members at LBNL.
- (4) Authority be delegated to the Plan Administrator to amend the Plan document as necessary to implement these changes.

F. ***Allocation of Los Alamos National Security LLC and Lawrence Livermore National Security LLC Fee Income to be Expended in Fiscal Year 2013-14***

The Committee recommended that the President be authorized to expend, for the following purposes and in the following amounts, from the University's net share of Los Alamos National Security (LANS) and Lawrence Livermore National Security (LLNS) LLC income earned between January 1, 2013 and December 31, 2013, the following amounts:

- (1) Supplemental compensation and other payments (including accruals) approved by the Regents for certain LANS LLC and LLNS LLC employees, from July 1, 2013 through June 30, 2014. – \$1.2 million (\$1.5 million in 2012-13).
- (2) An appropriation to the Office of the President budget for federally unreimbursed costs of University oversight of its interest in LANS LLC and LLNS LLC, paid or accrued July 1, 2013 through June 30, 2014, including but not limited to an allocable share of the costs of the President's Executive Office, the Provost, the Academic Senate, Human Resources, Financial Management, Compliance and Audit, Laboratory Management Office, Research Security Office, Federal Government Relations, Office of Research, Office of the General Counsel, Office of the Secretary and Chief of Staff to The Regents, and the University-appointed Governors on the Boards of the LLCs – \$4.9 million (\$5.12 million in 2012-13).
- (3) An appropriation in 2013-14 to a post-contract contingency fund – \$1.3 million (no change from 2012-13) and also approval to increase the

post-contract contingency fund reserves collected from LLC income from \$9 million, as approved by the Regents in September 2007, to \$23 million.

- (4) An appropriation for contingency for factors affecting the final fee – \$1.39 million (\$0.7 million in 2012-13) and also approval to increase the factors affecting the final fee reserves collected from LLC income from \$3 million, as approved by the Regents in May 2009, to \$5 million.
- (5) An appropriation in 2013-14 for research projects, to include National Laboratory research projects as well as other research projects – \$15.28 million. (\$18.28 million in 2012-13).

G. ***Authorization to Employ the University's General Revenue Bond Credit to Retire State Public Works Board Debt***

The Committee recommended to the Regents:

- (1) Retirement, refunding or defeasing of State Public Works Board (SPWB) debt issued on behalf of the University using debt of the University's general revenue bond credit in an amount to retire, refund, or defease not to exceed \$2.41 billion of existing SPWB par plus financing costs.
- (2) That the President be authorized to take all necessary actions, following consultation with the Chairman of the Board, in connection with retiring the SPWB debt issued on behalf of the University and issuing debt under the University's general revenue bond credit to fund such retirement, including, without limitation, implementing a plan of finance which may include fixed rate debt, short term (including rolling notes or bonds) and floating rate debt and principal deferral, and any combination thereof, all on terms deemed appropriate by the President, and to execute and deliver related financing documents.

Upon motion of Regent Ruiz, duly seconded, the recommendations of the Committee on Finance were approved, Regents Island and Reiss (2) voting "no" on item C. above.

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

The Committee presented the following from its meeting of July 17, 2013:

Appointment of Regents-Designate and Faculty Representatives as Advisory Members to Standing Committees for 2013-14

The Committee recommended that:

- A. Regent-designate Engelhorn be appointed as an Advisory Member to the Committees on Educational Policy and Long Range Planning, effective immediately through June 30, 2014.
- B. Regent-designate Leong Clancy be appointed as an Advisory Member to the Committees on Educational Policy, Finance, Grounds and Buildings, and Long Range Planning, effective immediately through June 30, 2014.
- C. Contingent upon her appointment as student Regent for 2014-15, Regent-designate Saifuddin be appointed as an Advisory Member to the Committees on Educational Policy, Finance, and Long Range Planning, effective immediately through June 30, 2014.
- D. Faculty Representative Jacob be appointed as an Advisory Member to the Committees on Educational Policy, Finance, Grounds and Buildings, Long Range Planning, and Investments, effective September 1, 2013 through August 30, 2014.
- E. Faculty Representative Gilly be appointed as an Advisory Member to the Committees on Compensation, Compliance and Audit, Health Services, and Oversight of the Department of Energy Laboratories, effective September 1, 2013 through August 30, 2014.

Upon motion of Regent Reiss, duly seconded, the recommendation of the Committee on Governance was approved.

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

The Committee presented the following from its meeting of July 16, 2013:

- A. ***Approval of the Budget. Approval of External Financing, and Approval of Design following Action Pursuant to California Environmental Quality Act, Infill Apartments Repairs, Santa Cruz Campus***

The Committee recommended that:

- (1) The 2012-13 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Santa Cruz: Infill Apartments Repairs – Preliminary Plans – \$996,000, to be funded from Colleges, Housing and Educational Services (CHES) Auxiliary Reserves.

To: Santa Cruz: Infill Apartments Repairs – Preliminary Plans, Working Drawings, and Construction - \$32,982,000 to be funded from CHES Auxiliary Reserves (\$7,982,000) and External Financing (\$25 million).

- (2) The scope of the *Infill Apartments Repairs* project shall be to repair construction defects, including scope triggered by the repairs, in 17 student apartment buildings (148 apartment units, with a current total of 742 beds) constructed as a result of the *Infill Apartments* project at Cowell, Stevenson, Porter, and Kresge Colleges.
- (3) In conjunction with the approval of paragraphs (1) and (2) above, the Regents:
 - a. Find that the project is categorically exempt under California Environmental Quality Act Guidelines Section 15301, Class 1 Existing Facilities.
 - b. Approve the design of the *Infill Apartments Repairs* project, Santa Cruz Campus.
- (4) The campus will hire an outside inspector for the project in addition to campus inspectors.
- (5) The project general contractor will carry full insurance that covers its work and includes acceptance of prior work performed.
- (6) The President be authorized to obtain external financing not to exceed \$25 million to finance the *Infill Apartments Repairs* project. The President shall require that:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, general revenues from the Santa Cruz campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- (7) The President be authorized to execute all documents necessary in connection with the above.

B. ***Amendment of the Budget and Amendment of External Financing, UC San Diego Medical Center East Campus Bed Tower, San Diego Campus***

The Committee recommended that:

- (1) The 2013-14 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: UCSD East Campus Bed Tower – preliminary plans, working drawings, construction and equipment – \$697.9 million to be funded from external financing (\$356.8 million), gifts (\$131 million), hospital reserves (\$106.1 million), Children’s Hospital Bonds (\$69 million), and capitalized leases (\$35 million).

To: San Diego: UCSD East Campus Bed Tower – preliminary plans, working drawings, construction and equipment – \$839,360,000 to be funded from external financing (\$500 million), gifts (\$131 million), hospital reserves (\$104,360,000), Children’s Hospital Bonds (\$69 million), and capitalized leases (\$35 million).

- (2) The project scope of the UCSD Medical Center East Campus Bed Tower will include: new bed tower of approximately 512,500 gross square feet (gsf) with 245 beds and 14 operating rooms, a new stand-alone central plant of approximately 39,300 gsf, and renovation of approximately 65,400 gsf in the existing Thornton Hospital.
- (3) The President be authorized to obtain external financing not to exceed \$500 million to finance the UCSD East Campus Bed Tower project. The President shall require that:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, UC San Diego Health System gross revenues 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.
- (4) The President be authorized to execute all documents necessary in connection with the above.
- (5) Should the funding for construction of the project exceed five percent more than the budgeted amount, additional approval of the Committee shall be required.
- (6) The President shall require a remediation plan of action by UC San Diego Health System if its quarterly and/or annual financial results show a level below 60 days cash. Should the level of days cash drop below 30 days, the President shall require the San Diego campus to replenish the Health System’s reserve to a 30-day minimum cash threshold for that quarter and on a going-forward basis.

C. ***Approval of the Budget and Approval of External Financing, Nimitz Marine Facility Berthing Wharf and Pier Replacement, San Diego Campus***

The Committee recommended that:

- (1) The 2013-14 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: Nimitz Marine Facility Berthing Wharf and Pier Replacement – preliminary plans, working drawings, and construction – \$25,053,000 to be funded from indirect cost recovery and campus funds (\$9,840,000), external financing (\$8,013,000), State funds (\$5 million), and Nimitz Marine Facility reserves (\$2.2 million). Any future non-State funding may be used to reduce the costs for this project pending the receipt of federal or State resources and/or gift funding.

- (2) The scope of the Nimitz Marine Facility Berthing Wharf and Pier Replacement (Project) shall be to replace the pier and wharf at the Nimitz Marine Facility, and replace and upgrade the necessary utilities, including electrical, telecommunications, fire alarm, potable water, compressed air and wastewater, and storm water management.
- (3) The President be authorized to obtain external financing not to exceed \$8,013,000 for the Project. The President shall require that:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, general revenues from the San Diego campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
- (4) The President be authorized to execute all documents necessary in connection with the above.

Regent Makarechian recommended an amendment to item B., paragraph (5) above. The existing language (“Should the funding for construction of the project exceed five percent more than the budgeted amount, additional approval of the Committee shall be required.”) would be replaced with the following: “Any further increase in the budget or external financing, or changes in the scope of the work to be brought back to the Committee for the Committee’s approval and approval of the full Board.”

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

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

The Committee presented the following from its meeting of May 21, 2013:

A. ***Total Return Investment Pool Asset Allocation Review and Recommendations***

The Committee recommended that the amendments to the Total Return Investment Pool Investment Policy Statement be adopted as shown in Attachment 4, with an effective date of August 1, 2013.

B. ***Adoption of Expenditure Rate for Total Return Investment Pool***

The Committee recommended that the expenditure rate (payout rate) for the Total Return Investment Pool (TRIP) for the fiscal year 2013-14 be 4.75 percent times the average of the month-end TRIP Net Asset Value, calculated over the 60 months ending June 2013, to be implemented in stages, in a manner to be determined by Office of the Chief Financial Officer in consultation with the campuses.

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

11. **REPORT OF THE COMMITTEE ON OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES**

The Committee presented the following from its meeting of July 18, 2013:

Resolutions to Exclude Access to Federal Classified Information

The Committee recommended that the four resolutions pertaining to the University's Department of Energy and Department of Defense Facility Security Clearances be approved as shown in Attachments 5-8.

Upon motion of Regent Pattiz, duly seconded, the recommendation of the Committee on Oversight of the Department of Energy Laboratories was approved.

12. **RESOLUTION IN APPRECIATION – MARK G. YUDOF**

Upon motion of Regent Blum, duly seconded, the following resolution was adopted:

WHEREAS, it is with great pleasure, mixed with a tinge of regret, that the Regents of the University of California express their sincere appreciation to the nineteenth President of the University, Mark G. Yudof, for his courageous leadership in guiding the University

through the latest chapter in its rich history, a period rife with financial crises unseen since the years of the Great Depression and challenges that threatened the very heart and soul of this grand and venerable institution of higher learning; and

WHEREAS, his five years of outstanding service as President have been the apex of a long and illustrious career in academia and higher education administration, beginning first as a member of the faculty at the University of Texas at Austin, and continuing there as Dean of the law school, then as President of the University of Minnesota, Chancellor of the University of Texas System, and finally as President of the University of California; over the course of this career he distinguished himself as a legal scholar of the first rank, a dedicated teacher, a respected educational leader, and a tireless administrator who exemplified the highest precepts of duty and public trust; and

WHEREAS, he brought to the presidency an unparalleled strategic vision for UC that moved this institution forward in spite of the extreme economic challenges besieging it, at all times working diligently to imbue the UC community of learning with the great fortitude needed to weather the near-devastating effects of State disinvestment and a drastic downturn in the nation's economy, guiding the University with a steady hand through some of the most perilous moments in its history, assiduously protecting the excellence for which it has long been known, and maintaining the accessibility of a UC education for students from every walk of life; and

WHEREAS, skillfully blending philosophy and action, as President he strove to ensure that the University of California, long regarded as a bastion of free speech, remained a safe and welcoming educational environment for all who pass through its hallowed halls, an institution where the First Amendment is, above all else, respected, cherished, and safeguarded; and

WHEREAS, the Board of Regents and the University of California community of learning are forever in his debt for his farsighted leadership efforts in instilling accountability and transparency in all aspects of the University's operations; his recognition of the plight of low-income students, most notably through his creation of the Blue and Gold Opportunity Plan; his highly successful engagement of the University's vast network of alumni and friends in enlisting their powerful advocacy on the University's behalf; and for his enthusiastic efforts to increase the awareness of the University's unique value among California's citizens and elected officials; and

WHEREAS, in recognition of his devoted service to the University of California, and in the hope that he will continue as an active and vital participant in the life of the University, the Regents do hereby confer upon Mark G. Yudof the title, President, Emeritus;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California wish to express to Mark G. Yudof their heartfelt appreciation for his personal integrity, commanding and visionary leadership, indomitable spirit, and wry, often self-deprecating humor that lifted spirits and enlivened meetings;

AND BE IT FUTHER RESOLVED that the Regents extend to Mark and his beloved Judy their very best wishes as Mark continues his quest for the perfect pancake, as he returns to the classroom to do what, in his own words, he does best in life – oppressing law students – and as they begin their new lives together out of the limelight for the first time in almost two decades; and the Regents further direct that a suitably inscribed copy of this resolution be presented to Mark and Judy as an expression of the Regents’ affectionate regard for these two cherished friends.

Regent Blum credited President Yudof with guiding the University through many challenges over the previous five years while never forgetting the mission of the University. He expressed the University’s gratitude to President Yudof.

President Yudof stated that it had been an honor to serve as President. The University had indeed been tested over the past five years. He praised the Board for performing its role admirably in difficult financial circumstances. He thanked the Regents and the UC administration.

13. **REPORT OF INTERIM AND CONCURRENCE ACTIONS**

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

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

Update of Implementation Regulations to Conform with California Statute

That the Chairman of the Board and the Chair of the Committee on Finance concur with the issuance of the University of California Relocation Assistance Act Policy for Real Estate Acquisitions and Leases.

- B. The Chair of the Committee on Grounds and Buildings and the President of the University approved the following recommendation:

Approval of Preliminary Plans Funding, Infill Apartments Repairs, Santa Cruz Campus

That the Regents amend the 2012-13 Budget for Capital Improvements to include the following project:

Santa Cruz: Infill Apartments Repairs – preliminary plans – \$996,000, to be funded from Housing Reserves.

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

- (1) ***Retroactive Approval of the Appointment of and Compensation for Steven Serman as Senior Portfolio Manager, Fixed Income Investments, Office of the Chief Investment Officer, Office of the President***

Background to Recommendation

Action under interim authority was requested to approve the retroactive appointment of and compensation for Steven Serman as Senior Portfolio Manager, Fixed Income Investments, Office of the Chief Investment Officer, effective October 15, 2012. The retroactive effective date constitutes an exception to policy that requires the Regents' approval.

The Office of the Chief Investment Officer proposed an annual base salary of \$269,620 for Mr. Serman.

Retroactive approval of the appointment and compensation was necessary due to an administrative oversight regarding the required approval authority. In 2012, the Office of the Chief Investment Officer was transitioning human resources (HR) functions to the newly formed, local HR unit in the Office of the President. Due to the unique complexities of the Office of the Chief Investment Officer's compensation program, the local HR administrators did not recognize that the annual total potential compensation for Mr. Serman exceeded the Indexed Compensation Level (ICL), currently set at \$291,000, and therefore required the President's approval. Because the President's approval was not secured at the time Mr. Serman was hired, retroactive approval by the Regents is now required.

Mr. Serman was hired to replace Linda Fried, the former Senior Portfolio Manager, Fixed Income Investments, who retired in December 2012. Following a nationwide recruitment, the Office of the Chief Investment Officer identified Mr. Serman as the top candidate to fill the position of Senior Portfolio Manager, Fixed Income Investments. Mr. Serman was hired in October 2012 to ensure a smooth transition of knowledge and duties prior to the departure of the incumbent.

Mr. Serman will be eligible to participate in the Office of the Chief Investment Officer's Annual Incentive Plan (AIP) with a target award of 45 percent of base salary (\$121,329) and a maximum potential award amount of 90 percent of base salary (\$242,658). The recommended AIP target award of 45 percent of base salary and maximum potential award of 90 percent of base salary are consistent with the terms and conditions of the incentive plan and are tied to the level of the position, not the individual. Actual award will depend on performance against pre-established objectives. The awards are paid over a three-year period, with

one half paid in the first year and the remainder equally deferred over the next two years. Mr. Sterman's salary and AIP opportunities are the same as the former incumbent's.

This position is entirely funded from non-State funds.

Recommendation

The following items were approved in connection with the retroactive appointment of and compensation for Steven Sterman as Senior Portfolio Manager, Fixed Income Investments, Office of the Chief Investment Officer, Office of the President:

- a. Per policy, appointment of Steven Sterman, Senior Portfolio Manager, Fixed Income Investments, Office of the Chief Investment Officer, Office of the President.
- b. Per policy, this appointment is at 100 percent time.
- c. Per policy, annual base salary of \$269,620 at Management and Senior Professional (MSP) Grade 49 (Minimum \$204,400, Midpoint \$232,400, Maximum \$329,600).
- d. Per policy, eligible to participate in the Office of the Chief Investment Officer's Annual Incentive Plan, with a target award of 45 percent of base salary (\$121,329) and a maximum potential award of 90 percent of base salary (\$242,658). Actual award will depend on performance against pre-established objectives. The awards are paid over a three-year period, with one half paid in the first year and the remainder equally deferred over the next two years.
- e. Per policy, a relocation allowance of 25 percent (\$67,405) of annual base salary, to be paid in installments over four years as follows: 40 percent (\$26,962) in year one, 30 percent (\$20,222) in year two, 20 percent (\$13,481) in year three, and ten percent (\$6,741) in year four. Any unpaid installments will be forfeited at the time of separation.
- f. Per policy, 100 percent reimbursement of actual expenses related to moving household goods and personal effects from the former primary residence to the new primary residence, not to exceed \$15,000 and subject to the limitations under policy.
- g. Per policy, standard pension and health and welfare benefits.

- h. As an exception to policy, this action is effective retroactively to October 15, 2012.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: October 15, 2012

Base Salary: \$269,620

Annual Incentive Plan (AIP) award (at target rate of 45 percent of base salary): \$121,329

Target Cash Compensation:* \$390,949

Grade Level: MSP Grade 49 (non-MRZ) (Minimum \$204,400, Midpoint \$232,400, Maximum \$329,600)

Funding: non-State-funded

Budget &/or Prior Incumbent Data

Title: Senior Portfolio Manager, Fixed Income Investments

Base Salary: \$269,620

Annual Incentive Plan (AIP) award (at target rate of 45 percent of base salary): \$121,329

Target Cash Compensation:* \$390,949

Grade Level: MSP Grade 49 (non-MRZ) (Minimum \$204,400, Midpoint \$232,400, Maximum \$329,600)

Funding: non-State-funded

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

COMPETITIVE ANALYSIS

Percentiles	*BASE SALARY MARKET PERCENTILES					TARGET CASH MARKET PERCENTILES				
	25th	50th	60 th	75 th	90th	25th	50th	60 th	75th	90th
Market Data	\$204.4K	\$232.4K	N/A	\$283.2K	\$329.6 K	\$350.6K	\$448.2K	N/A	\$573.3 K	\$800.2K
% Difference from Market	31.9%	16%	--	-4.8%	-18.2%	11.5%	-12.8%	--	-31.8%	-51.1%

Survey Source: Mercer – Office of the Chief Investment Officer Compensation Assessment, June 2012.

The compensation described above shall constitute the University's total commitment until modified by the Regents or President, as applicable under Regents policy, 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: Chief Investment Officer Berggren
Reviewed by: President Yudof
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

(2) ***Reclassification of a Senior Management Group Position and Change in Title to Vice President – Institutional Research and Academic Planning, Office of the President***

Background to Recommendation

Action under interim authority was requested to amend the title and level of a position classified in the Senior Management Group (SMG). As a result of reorganization, the Provost's office has assumed responsibility for the functions that were formerly assigned to the Associate Vice President – Policy and Analysis, a direct report to the President. In addition, certain functions that were formerly assigned to the Vice Provost – Academic Information and Strategic Services will be assigned to the reclassified position, Vice President – Institutional Research and Academic Planning. This proposed change will result in the position being a Level Two SMG position utilizing the Market Reference Zone of the Associate Vice President position.

The President requested approval of these actions under interim authority to ensure that recruitment for this position can begin immediately and prior to the retirement of the person currently filling the Institutional Research role on a temporary basis. In addition, action under interim authority was necessary to post and fill the position prior to the beginning of the academic year.

This position will be funded partially or fully from State funds and is provided for within the existing budget.

Recommendation

The following items were approved in connection with the reclassification of the Senior Management Group (SMG) position of Associate Vice President – Policy and Analysis and change in title to Vice President – Institutional Research and Academic Planning, Office of the President:

- a. Reclassification of the Associate Vice President – Policy and Analysis position from Level One SMG to Level Two SMG since

it will report to the Provost and Executive Vice President – Academic Affairs instead of to the President.

- b. Title change from Associate Vice President – Policy and Analysis to Vice President – Institutional Research and Academic Planning.
- c. Assignment of the Vice President – Institutional Research and Academic Planning position to the Market Reference Zone (MRZ) for the Associate Vice President – Policy and Analysis position: 25th percentile – \$200,000; 50th percentile – \$245,000; 60th percentile – \$262,000; 75th percentile – \$288,000; and 90th percentile – \$399,000. Given the market data available, it is appropriate to continue using this MRZ following the reclassification and change in title.

Submitted by: Provost and Executive Vice President – Academic Affairs Dorr
Reviewed by: President Yudof
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

(3) *Appointment of and Compensation for Daniel Feitelberg as Vice Chancellor – Budget and Planning, Merced Campus*

Background to Recommendation

Action under interim authority was requested for the approval of the appointment of and compensation for Daniel Feitelberg as Vice Chancellor – Budget and Planning, Merced campus, effective June 1, 2013.

Mr. Feitelberg has been serving as Acting Vice Chancellor – Budget and Planning since December 2012. He was under a Professional Services Contract agreement as a Senior Advisor to Chancellor Leland from April 2012 through November 2012. During this time, Mr. Feitelberg assisted the Chancellor in developing capital projects and a comprehensive long-term financial planning model.

The Merced campus hired a notable executive search firm to conduct a national search for the position of Vice Chancellor – Budget and Planning, a career placement and key leadership position. Mr. Feitelberg was selected as the top candidate from a pool of 92 applicants.

The Vice Chancellor – Budget and Planning is a senior executive at UC Merced and is responsible for the strategic oversight of the Budget Office, Capital Finance and Space Management, Institutional Planning and

Analysis, and Physical and Environmental Planning. The position provides decision support to the executive leadership regarding the strategic allocation and use of campus resources and reports jointly to the Chancellor and to the Executive Vice Chancellor and Provost.

The Vice Chancellor – Budget and Planning is charged with integrating the academic program into the design of the UC Merced academic facilities, including laboratories and other specialized space. Through his leadership, Mr. Feitelberg will develop and evaluate financing strategies for the capital development program.

Based on the scope of duties, the importance of the Vice Chancellor – Budget and Planning function, and current market competition, the Merced campus proposes an annual base salary of \$255,000 for Mr. Feitelberg, which is 10.5 percent below the 60th percentile of the Market Reference Zone (MRZ) for this position. The proposed base salary of \$255,000 is the same as his current salary in his current capacity as Acting Vice Chancellor – Budget and Planning.

This position will be partially or fully State-funded.

Action under interim authority was requested so that the campus could make a formal announcement to the other finalist, which is dependent on its ability to publicly announce the appointment of Mr. Feitelberg as the new Vice Chancellor – Budget and Planning. Therefore, this action cannot wait until the next regularly scheduled Regents meeting in July.

The Vice Chancellor – Budget and Planning position is a Level Two Senior Management Group (SMG) position that would normally be within the authority of the President to approve. Regental approval is being sought because the item contains exceptions to policy. The campus is offering Mr. Feitelberg a relocation allowance, moving expenses, and temporary housing because he will now be relocating his primary residence to the Merced area in connection with this career appointment. Mr. Feitelberg is currently a University employee. Providing those elements of compensation to a current University employee who is not being assigned to a new location constitutes an exception to policy.

Recommendation

The following items were approved in connection with the appointment of and compensation for Daniel Feitelberg as Vice Chancellor – Budget and Planning, Merced campus:

- a. Appointment of Daniel Feitelberg as Vice Chancellor – Budget and Planning, Merced campus.

- b. Per policy, an annual base salary of \$255,000. This represents no increase to his current annual base salary.
- c. 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) after five years of Senior Management Group (SMG) service.
- d. Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.
- e. In addition, as an exception to policy because Mr. Feitelberg was hired as the Acting Vice Chancellor – Budget and Planning and is not technically a new hire, he will be provided a relocation allowance of \$63,750 (25 percent of his proposed base salary) to assist with the purchase of his home in Merced. This allowance will be payable in annual installments of 25 percent per year over four years of employment. The relocation allowance will also help offset the additional, unreimbursed costs that Mr. Feitelberg will incur in retaining his home in South San Francisco (to continue his children's education) prior to moving his family to Merced.
- f. As an exception to policy, 100 percent reimbursement of actual expenses related to moving household goods and personal effects from the former primary residence to the new primary residence, subject to the limitations under policy. This is an exception to policy because Mr. Feitelberg is a current University employee.
- g. As an exception to policy, a temporary housing allowance not to exceed \$11,070 for a period of up to 90 days to offset limited housing-related expenses, subject to the limitations under policy. This is an exception to policy because Mr. Feitelberg is a current University employee.
- h. Per policy, eligibility to participate in the UC Home Loan Program in accordance with all applicable policies.
- i. This appointment is at 100 percent time and effective June 1, 2013.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: June 1, 2013

Title: Vice Chancellor – Budget and Planning

Base Salary: \$255,000

Target Cash Compensation:* \$255,000

Market Reference Zone:

25th percentile: \$211,000, 50th percentile: \$271,000, 60th percentile: \$285,000, 75th percentile: \$305,000, 90th percentile: \$387,000

Funding: partially or fully State-funded

Budget &/or Prior Incumbent Data

Title: Acting Vice Chancellor – Budget and Planning

Base Salary: \$255,000

Target Cash Compensation:* \$255,000

Market Reference Zone:

25th percentile: \$211,000, 50th percentile: \$271,000, 60th percentile: \$285,000, 75th percentile: \$305,000, 90th percentile: \$387,000

Funding: partially or fully State-funded

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

COMPETITIVE ANALYSIS FOR VICE CHANCELLOR – BUDGET AND PLANNING

MARKET REFERENCE ZONE FOR BASE SALARY						MARKET COMPOSITE FOR TARGET CASH COMPENSATION (DATA NOT AVAILABLE FOR THIS POSITION)					
Percentiles	25 th	50 th	60 th	75 th	90 th	Percentiles	25 th	50 th	60 th	75 th	90 th
Market Data	\$211K	\$271K	\$285K	\$305K	\$387K	Market Data	N/A	N/A	N/A	N/A	N/A
% Difference from Market	20.9%	-5.9%	10.5%	-16.4%	-34.1%	% Difference from Market	N/A	N/A	N/A	N/A	N/A

Survey Source: College and University Professional Association (CUPA) survey. CUPA reports base salary only.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, 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

(4) ***Retroactive Approval of the Contract Compensation for Diane Ninemire as Head Softball Coach, Berkeley Campus***

Background to Recommendation

Action under interim authority was requested to approve contract compensation for Diane Ninemire as Head Softball Coach at UC Berkeley, retroactive to July 1, 2011.

The term of Coach Ninemire's last contract was from July 1, 2007 to June 30, 2011. The negotiation of her new five-year contract extension – from July 1, 2011 to July 31, 2016 – was unexpectedly delayed and not approved at the campus until June 2012. However, by that time a higher level of review and approval was necessary. Because of the late approval and the fact that Coach Ninemire's total potential cash compensation exceeds \$291,000, the action constitutes an exception to policy under the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (the "September 2008 Parameters") and must be approved by the Regents.

The campus also sought approval for equipment/apparel fees that were included in the contract extension that was approved locally in June 2012, as well as equipment/apparel fees that were being negotiated as part of a new contract addendum. Specifically, the contract extension included an annual equipment/apparel fee of \$15,000 retroactive to July 1, 2011, and the campus would like to increase that annual fee to \$30,000 with a retroactive date of August 1, 2012 as part of the new contract addendum. All equipment/apparel fees will be entirely funded by the annual rights fee that the campus will receive from Easton-Bell Sports, Inc. as a result of an equipment/apparel agreement. This element of compensation requires the Regents' approval because equipment/apparel fees are not authorized by the September 2008 Parameters.

The exclusive source of funding for Coach Ninemire's contract will be athletic department revenues and private fundraising. No State or UC general funds will be used.

Action under interim authority was required to ensure that every element of compensation in Coach Ninemire's contract has received the necessary approval as soon as possible.

Recommendation

The following items were approved in connection with the contract compensation for Diane Ninemire as Head Softball Coach, Berkeley campus:

- a. **Duration:** As an exception to policy, the term of the employment contract is retroactive to July 1, 2011 and will continue through July 31, 2016.
- b. **Appointment:** Coach Ninemire's appointment as the Head Softball Coach is at 100 percent time.
- c. **Guaranteed Compensation:** The annual guaranteed compensation for the first year of the contract is \$165,000, which is all base salary. In subsequent years, the annual base salary will increase to \$171,600.

<u>Contract Year</u>	<u>Annual Base Salary</u>
07/01/11 – 07/31/12	\$165,000
08/01/12 – 07/31/13	\$171,600
08/01/13 – 07/31/14	\$171,600
08/01/14 – 07/31/15	\$171,600
08/01/15 – 07/31/16	<u>\$171,600</u>
	\$851,400

- d. **Bonus/Incentives:** The annual bonus/incentive potential for this position is \$46,000, effective July 1, 2011, and increases to \$51,000, effective August 1, 2012.

Under the contract, the incentives in Group A below are payable at the discretion of the Director of Intercollegiate Athletics if Coach Ninemire has complied with the obligations in the contract and if she and/or the softball team achieves the accomplishments below. However, the incentives in Group B below are only payable at the discretion of the Director of Intercollegiate Athletics if the accomplishment is achieved and the University has secured sufficient funds from contracts with athletic equipment/apparel supplier(s) for such purposes.

Incentives set forth in the contract:

A. University Contract Incentives

- (1) Coach wins Conference Coach of Year \$1,000
- (2) Coach wins National Coach of Year \$2,000

- (3) Team wins regular season conference championship \$3,000

Team Post-Season Performance Bonuses:

- | | | |
|-----|-------------------------------------------------------------|---------|
| (1) | Team participates in NCAA Regionals | \$2,000 |
| (2) | Team participates in NCAA Regionals Final | \$3,000 |
| (3) | Team participates in NCAA Super Regionals | \$3,000 |
| (4) | Team participates in NCAA College World Series | \$4,000 |
| (5) | Team finishes in Top 4 of the NCAA College World Series | \$4,000 |
| (6) | Team participates in NCAA College World Series final series | \$4,000 |
| (7) | Team wins NCAA College World Series | \$5,000 |

B. Incentives Contingent Upon Equipment/Apparel Contract Funding

<u>Accomplishment</u>	<u>Maximum Bonus Amount</u>
(1) Participation in NCAA Super Regional	\$5,000
(2) Participation in NCAA Women's College World Series	\$5,000
(3) NCAA Women's College World Series Championship	\$5,000

The maximum bonus amount for the NCAA Women's College World Series Championship increases to \$10,000 effective August 1, 2012.

- e. **Equipment/Apparel Fee:** As an exception to policy, at the discretion of the Director of Intercollegiate Athletics and subject to securing sufficient funds from University contracts with athletic equipment/apparel supplier(s) for such purposes, coach will receive an annual equipment/apparel fee of \$15,000, retroactively effective as of July 1, 2011, with that annual fee increasing to \$30,000 effective August 1, 2012. This constitutes an exception to policy because the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* does not authorize equipment/apparel fees.
- f. **Camps and Clinics:** The maximum compensation earned annually from camps and clinics is \$100,000.
- g. **Courtesy Vehicle:** One courtesy vehicle is assigned to the coach under terms and conditions contained in a separate vehicle assignment agreement, incorporated into the contract by reference.

In the event the University does not have a courtesy vehicle available, the coach will receive a monthly allowance of \$450 until a vehicle becomes available. It is understood that this perquisite may be withdrawn by the Director of Intercollegiate Athletics at any time.

- h. **Sport Club Membership:** The coach may receive a family membership to a sports club. It is understood that this perquisite may be withdrawn by the Director of Intercollegiate Athletics at any time. All other expenses associated with the sports club membership shall be subject to the rules for reimbursement established in University policy.
- i. **Paid Time Off:** The coach will be entitled to up to 20 paid days off at the beginning of each contract year. Paid days off are not carried forward to the next contract year and any unused paid days off expire at the end of the applicable contract year. The coach must use any accrued but unused vacation leave before using paid time off days pursuant to this provision.
- j. **Sick Leave:** The coach shall accrue and may use sick leave in accordance with the applicable provisions of the personnel policies for staff members in effect at the time during each month of this contract. Unused sick leave will be carried forward for the duration of the coach's employment with the University according to applicable personnel policies in effect at the time.
- k. **Termination:** The University retains the right to terminate the contract for cause, at which point all future compensation and other obligations will cease, and there will be no obligation by the University to "buy out" the remainder of the contract.

The University retains the right to terminate the contract without cause at any time, at the option and discretion of the Director of Intercollegiate Athletics, with the approval of the Chancellor, by giving the appointee written notice of termination. If the University terminates the contract without cause, it will be obligated to pay Coach Ninemire liquidated damages, as set forth in the contract, offset by any future income earned by her in subsequent employment during the contract period.

- l. Per policy, eligibility for standard pension and health and welfare benefits.

Recommended Compensation

Effective Date: July 1, 2011

Annual Base Salary: \$165,000 (contract year one)
Maximum Potential Bonus/Incentives: \$46,000 (contract year one)
Guaranteed Cash Compensation plus Maximum Potential Bonus/Incentives: \$211,000 (contract year one)
Camps and Clinics: \$100,000
Equipment/Apparel Fee: \$15,000 (contract year one)
Courtesy Vehicle: \$5,400
Total Potential Cash Compensation: \$331,400 (contract year one)
Funding: non-State-funded

Budget &/or Current Incumbent Data

Title: Head Softball Coach
Annual Base Salary: \$143,050
Talent Fee: \$11,700
Maximum Potential Bonus/Incentives: \$78,750
Guaranteed Cash Compensation plus Maximum Potential Bonus/Incentives: \$233,500
Camps and Clinics: \$100,000
Equipment/Apparel Fee: \$30,000
Courtesy Vehicle: \$5,400
Total Potential Cash Compensation: \$368,900
Funding: non-State-funded

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, 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 Berkeley Chancellor Birgeneau
Reviewed by: President Yudof
 Committee on Compensation Chair Ruiz
 Office of the President, Human Resources

- (5) *Change in Personnel Program for M. Teresa Conk, Chief Strategy Officer, and Susan J. Rayburn, Chief Contracting Officer, UC Irvine Medical Center*

Background to Recommendation

Approval was requested by the Irvine campus to remove the medical center positions of Chief Strategy Officer (CSO) and Chief Contracting Officer (CCO) from the Senior Management Group (SMG) and move them to the Management and Senior Professional (MSP) personnel program.

A systemwide review determined that, for the CSO position, two of the five campuses with comparable positions have classified this position as MSP. The position is classified in the SMG at the three remaining campuses.

For the CCO position, three of the four campuses with comparable positions have classified this position in the MSP category. The position is in the SMG category only at the Irvine campus.

To achieve consistency, the following two positions are proposed for reclassification from SMG to MSP: the CSO position held by M. Teresa Conk and the CCO position held by Susan J. Rayburn.

Funding for these positions comes from medical center revenues. No State or UC general funds will be used.

Recommendation

The following items were approved in connection with the personnel program change for M. Teresa Conk as Chief Strategy Officer and Susan J. Rayburn as Chief Contracting Officer, UC Irvine Medical Center:

- a. Change in personnel program of M. Teresa Conk as Chief Strategy Officer and Susan J. Rayburn as Chief Contracting Officer from the Senior Management Group (SMG) to the Management and Senior Professional (MSP) personnel program. This action includes moving Ms. Conk and Ms. Rayburn out of the current Market Reference Zone structure to an appropriate MSP salary grade in effect at the Irvine campus.
- b. Concurrent with this action, all SMG benefits, including senior management life insurance, executive salary continuation for disability, and participation in the Senior Management Supplemental Benefit Program, will be terminated.
- c. All other compensation and benefits will remain the same. Compensation, benefits, and all aspects of employment will be governed by the MSP personnel policies.
- d. The above actions will be effective upon approval.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, 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 Irvine Chancellor Drake
Reviewed by: President Yudof
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

- (6) *Title Change from Chief Information Officer and Associate Vice President – Information Technology Services to Chief Information Officer and Vice President – Information Technology Services, Office of the President*

Background to Recommendation

Action under interim authority was requested by the Office of the President for approval of a title change from “Chief Information Officer and Associate Vice President – Information Technology Services” to “Chief Information Officer and Vice President – Information Technology Services.”

The Office of the President conducted a nationwide recruitment to fill this position. External executive search firms assisting with this recruitment have advised that a title change would help attract candidates who have the necessary skills for this position. The Office of the President requested approval of this title change under interim authority because it had received its first applications for this position, and anticipated selecting a candidate before the July Regents meeting.

The title change is intended to better reflect the growing importance of information technology services to systemwide efficiency initiatives. This position’s responsibilities include strategic oversight of systemwide information technology services as well as management of the Information Technology Services department in the Office of the President. In addition, the title change more appropriately aligns the position with other comparable senior leadership positions at the Vice President level within the Office of the President, such as the Vice Presidents of Budget and Capital Resources and of Human Resources.

The proposed title change will not affect the current structure of the organization or the Market Reference Zone for this position. This position will continue to report directly to the Executive Vice President – Business Operations and will continue to be classified as a Level Two Senior Management Group (SMG) position.

Approval was requested because this is a major title change, and Standing Order 100.2(f) and Regents Policy 7701 require Regental approval for major changes to Officer and SMG titles.

This position will continue to be partially or fully State-funded.

Recommendation

Approval of a change in title from “Chief Information Officer and Associate Vice President – Information Technology Services” to “Chief Information Officer and Vice President – Information Technology Services” at the Office of the President. This action will be effective upon approval.

**Submitted by: Executive Vice President – Business Operations
Brostrom**

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

- (7) ***Appointment of and Compensation for Stephen J. Handel as Associate Vice President – Undergraduate Admissions, Office of the President***

Background to Recommendation

Action under interim authority was requested for the appointment of and compensation for Stephen J. Handel as Associate Vice President – Undergraduate Admissions, Office of the President, with an annual salary of \$200,000, effective August 5, 2013.

This new position was proposed as part of the restructuring in the Office of Student Affairs following the promotion of Nina Robinson, Director of Student Policy, in August 2010, to the position of Chief of Staff to the President, and the retirement of Susan Wilbur, Director of Undergraduate Admissions, in February 2011.

The Associate Vice President – Undergraduate Admissions is classified in the Management and Senior Professional (MSP) Grade 28 (Career Tracks Title: Admissions and Recruitment Manager 4). The position reports directly to the Vice President – Student Affairs. As Associate Vice President – Undergraduate Admissions, Mr. Handel will have primary responsibility for guidance on matters related to University undergraduate admissions policy. He will engage in strategic planning to develop, enhance, and implement undergraduate admissions policies and procedures regarding eligibility and selection for the University of California system and help develop the University’s position on admissions-related policy issues arising from various constituent groups.

He will promote policy directions relating to new trends in K-12 and community college education, as appropriate, and track and analyze admissions trends to align with policies recommended by the Master Plan for Higher Education and the Board of Regents.

The Office of the President has identified Mr. Handel as a candidate with extensive years of progressively increasing responsibility and experience developing and implementing innovative strategies for the recruitment and admission of California resident and domestic and international non-resident students. He is a team builder, team player, and a visionary leader. In his new position, he will also oversee an operating budget of \$14 million, including vendor contracts.

This position will be paid partially or fully with State funds.

Action under interim authority was needed because negotiations with Mr. Handel were not completed in time to submit the item for consideration at the July Board of Regents meeting, and his expected start date will be before the September meeting. In addition, Mr. Handel would like to provide his current employer advance notice of his departure and transition into the new position prior to the start of the fall 2013 academic quarter.

Recommendation

The following items were approved in connection with the appointment of and compensation for Stephen J. Handel as Associate Vice President – Undergraduate Admissions, Office of the President:

- a. Per policy, appointment of Stephen J. Handel as Associate Vice President – Undergraduate Admissions, Office of the President at 100 percent time.
- b. Per policy, an annual base salary of \$200,000, MSP Grade 28 (Minimum \$93,500, Midpoint \$170,000, Maximum \$246,700).
- c. Per policy, standard pension and health and welfare benefits.
- d. Effective August 5, 2013.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: August 5, 2013

Title: Associate Vice President – Undergraduate Admissions (Career Tracks Title: Admissions and Recruitment Manager 4)

Annual Base Salary: \$200,000

Target Cash Compensation:* \$200,000

Grade Level: MSP Grade 28

(Minimum \$93,500, Midpoint \$170,000, Maximum \$246,700)

Funding: partially or fully State-funded

Budget &/or Prior Incumbent Data

Title: Director – Undergraduate Admissions

Annual Base Salary: \$144,863

Target Cash Compensation:* \$144,863

Grade Level: MSP Grade 5

(Minimum \$88,900, Midpoint \$130,900, Maximum \$172,900)

Funding: partially or fully State-funded

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

The compensation described above shall constitute the University's total commitment until modified by the Regents or the President, as applicable under Regents policy, 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: Provost and Executive Vice President Dorr

Reviewed by: President Yudof

Committee on Compensation Chair Ruiz

Office of the President, Human Resources

(8) ***Amendment of Adoption of Revisions to Governance of Senior Management Group Compensation***

Amendment of the *Adoption of Revisions to Governance of Senior Management Group Compensation*, approved by the Regents at the November 2012 meeting, as follows:

Additions shown by underscoring

- a. The approval authority standards required for appointment and compensation actions for members of the Senior Management Group (SMG), as summarized in Attachment 1 (Attachment 9) and amended as shown, be approved and applied to all SMG appointment and compensation actions.
- b. The Market Reference Zones for SMG positions be approved as shown in Attachment 2.

- c. The President be authorized to develop implementing procedures for the program.

14. **REPORT OF COMMUNICATIONS RECEIVED**

Secretary and Chief of Staff Kelman reported that, in accordance with Bylaw 16.9, Regents received a summary of communications in reports dated June 3 and July 2, 2013.

15. **REPORT OF MATERIALS MAILED BETWEEN MEETINGS**

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

To Members of the Committee on Compensation

- A. From the President, Biannual Compensation Monitoring Report: Certain Senior Management Positions – May 2013. (May 31, 2013)
- B. From the President, Biannual Compensation Monitoring Report: Actions for Certain Athletic Positions and Coaches Systemwide – May 2013. (May 31, 2013)

To Members of the Committee on Finance

- C. From the President, Annual Report on New Indirect Cost Rates. (June 20, 2013)

To the Regents of the University of California

- D. From the Secretary and Chief of Staff, summaries of correspondence sent to the Regents for the month of April. (May 1, 2013)
- E. From the President, white paper on the State of the University. (May 13, 2013)
- F. From the Secretary and Chief of Staff, summaries of correspondence sent to the Regents for the month of May. (June 3, 2013)

The meeting adjourned at 11:45 a.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

Regents Policy 7401: THE FACULTY CODE OF CONDUCT AND THE POLICY ON FACULTY CONDUCT AND THE ADMINISTRATION OF DISCIPLINE

This policy is the Faculty Code of Conduct, as approved by the Assembly of the Academic Senate on June 15, 1971, and amended by the Assembly on May 30, 1974, and with amendments approved by the Assembly on March 9, 1983, May 6, 1986, May 7, 1992, October 31, 2001, ~~and~~ May 28, 2003, and June 12, 2013, and by The Regents on July 18, 1986, May 15, 1987, June 19, 1992, November 15, 2001, ~~and~~ July 17, 2003, and July 18, 2013. In addition, technical changes were made September 1, 1988.

Additional policies regarding the scope and application of the Faculty Code of Conduct and the University's policies on faculty conduct and the administration of discipline are set forth in APM - 015, the Faculty Code of Conduct, and APM - 016, the University Policy on Faculty Conduct and the Administration of Discipline.

Additions shown by underscoring; deletions shown by strikethrough

The Faculty Code of Conduct – APM – 015

Part I – Professional Rights of Faculty

In support of the University's central functions as an institution of higher learning, a major responsibility of the administration is to protect and encourage the faculty in its teaching, learning, research, and public service. The authority to discipline faculty members in appropriate cases derives from the shared recognition by the faculty and the administration that the purpose of discipline is to preserve conditions hospitable to these pursuits. Such conditions, as they relate to the faculty, include, for example:

1. free inquiry, and exchange of ideas;
2. the right to present controversial material relevant to a course of instruction;
3. enjoyment of constitutionally protected freedom of expression;
4. freedom to address any matter of institutional policy or action when acting as a member of the faculty whether or not as a member of an agency of institutional governance.
- ~~4.~~5. participation in the governance of the University, as provided in the Bylaws and Standing Orders of The Regents and the regulations of the University, including
 - (a) approval of course content and manner of instruction,
 - (b) establishment of requirements for matriculation and for degrees,
 - (c) appointment and promotion of faculty,
 - (d) selection of chairs of departments and certain academic administrators,
 - (e) discipline of members of the faculty, and the formulation of rules and procedures for discipline of students,
 - (f) establishment of norms for teaching responsibilities and for evaluation of both faculty and student achievement, and
 - (g) determination of the forms of departmental governance;

- ~~5.6.~~ the right to be judged by one's colleagues, in accordance with fair procedures and due process, in matters of promotion, tenure, and discipline, solely on the basis of the faculty members' professional qualifications and professional conduct.

Part II. – Professional Responsibilities, Ethical Principles, and Unacceptable Faculty Conduct

A. Teaching and Students

Types of unacceptable conduct:

2. Discrimination, including harassment, against a student on political grounds, or for reasons of race, color, religion, sex, sexual orientation, gender, gender expression, gender identity, ethnic origin, national origin, ancestry, marital status, pregnancy, physical or mental disability, medical condition (cancer-related or genetic characteristics), genetic information (including family medical history), or service in the uniformed services as defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), as well as state military and naval service, or, within the limits imposed by law or University regulations, because of age or citizenship or for other arbitrary or personal reasons.

C. The University

Types of unacceptable conduct:

5. Discrimination, including harassment, against University employees on political grounds, or for reasons of race, color, religion, sex, sexual orientation, gender, gender expression, gender identity, ethnic origin, national origin, ancestry, marital status, pregnancy, physical or mental disability, medical condition (cancer-related or genetic characteristics), genetic information (including family medical history), or service in the uniformed services as defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), as well as state military and naval

service, or, within the limits imposed by law or University regulations, because of age or citizenship or for other arbitrary or personal reasons.

D. Colleagues

Types of unacceptable conduct:

2. Discrimination, including harassment, against a faculty member on political grounds, or for reasons of race, color, religion, sex, sexual orientation, gender, gender expression, gender identity, ethnic origin, national origin, ancestry, marital status, pregnancy, physical or mental disability, medical condition (cancer-related or genetic characteristics), genetic information (including family medical history), or service in the uniformed services as defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), as well as state military and naval service, or, within the limits imposed by law or University regulations, because of age or citizenship or for other arbitrary or personal reasons.

FY 2013-14 BUDGET SUMMARY OFFICE OF THE PRESIDENT	TOTAL BUDGET			UNRESTRICTED BUDGET			
	TOTAL FY 2012-13	CHANGE	TOTAL FY 2013-14	TOTAL FY 2012-13	CHANGE	% CHANGE	TOTAL FY 2013-14
GENERAL ADMINISTRATION	\$ 137,047,609	\$ 18,821,638	\$ 155,869,247	\$ 93,765,779	\$ 5,893,205	52%	\$ 99,658,984
OP Core Administration	73,557,410	6,500,772	80,058,182	54,307,331	273,090	1%	54,580,421
Academic Affairs	19,076,116	(162,475)	18,913,641	18,980,496	(251,869)	-1%	18,728,627
Finance	5,714,627	(287,562)	5,427,065	3,051,326	(400,000)	-13%	2,651,326
Business Operations	27,355,536	(1,315,989)	26,039,547	16,466,172	605,681	4%	17,071,853
President's Exec. Office	2,598,656	12,969	2,611,625	2,316,781	-	0%	2,316,781
Health Sciences	3,040,515	5,942,274	8,982,789	3,040,515	120,478	4%	3,160,993
External Relations	11,806,893	2,235,975	14,042,868	10,452,041	198,800	2%	10,650,841
Lab Management	3,965,067	75,580	4,040,647	-	-	-	-
Academic Senate	1,826,779	(4,536)	1,822,243	1,792,341	-	0%	1,792,341
Regents Officers	41,918,245	3,937,461	45,855,706	18,891,460	627,174	3%	19,518,634
General Counsel	11,885,626	848,949	12,734,575	10,169,800	760,574	7%	10,930,374
Secretary/COS	3,302,597	7,000	3,309,597	3,297,597	7,000	0%	3,304,597
Ethics & Compliance	5,429,106	(136,208)	5,292,898	5,424,063	(140,400)	-3%	5,283,663
Chief Investment Officer	21,300,916	3,217,720	24,518,636	-	-	-	-
Centrally Funded	16,488,067	7,708,195	24,196,262	15,517,539	4,313,195	28%	19,830,734
<i>Debt service, rent, business processing, undistributed benefits and other</i>							
Systemwide Institutional Support	3,257,108	679,746	3,936,854	3,257,108	679,746	21%	3,936,854
CENTRAL SERVICES	203,888,357	10,947,140	214,835,497	80,142,109	9,111,381	11%	89,253,490
ACADEMIC AFFAIRS							
Admissions/Enrollment Services	12,002,128	(4,169,500)	7,832,628	11,023,528	(4,155,000)	-38%	6,868,528
Financial Aid Services	2,006,831	-	2,006,831	2,006,831	-	0%	2,006,831
Technology Transfer	45,168,586	840,882	46,009,468	2,310,092	(180,538)	-8%	2,129,554
Other Academic Initiatives	800,000	-	800,000	800,000	-	0%	800,000
BUSINESS OPERATIONS							
Compensation, Retirement, Benefits	36,938,508	349,479	37,287,987	4,685,854	(150,000)	-3%	4,535,854
Information Technology Services	12,390,661	6,931,103	19,321,764	9,776,520	4,545,244	46%	14,321,764
Systemwide Budget/Facilities	6,560,329	427,068	6,987,397	6,229,586	106,910	2%	6,336,496
CHIEF FINANCIAL OFFICER							
Banking, Tax, Accounting, Audit and BOI	11,752,924	98,647	11,851,571	6,233,571	174,880	3%	6,408,451
External Financing	890,093	243,882	1,133,975	-	-	-	-
Office of Loan Programs	1,637,361	50,228	1,687,589	-	-	-	-
Risk Services	600,102	(256,021)	344,081	-	-	-	-
Strategic Sourcing	1,270,831	5,211,301	6,482,132	1,270,831	5,211,301	410%	6,482,132
UC Path	-	15,473,103	15,473,103	-	15,473,103		15,473,103
EXTERNAL RELATIONS							
Institutional Advancement	3,392,470	(1,614,566)	1,777,904	-	-	-	-
Advocacy Communication	200,000	-	200,000	200,000	-	0%	200,000
LIBRARY & PUBLISHING SERVICES							
<i>Including California Digital Library and UC Press</i>	45,716,731	735,097	46,451,828	18,411,721	1,747,500	9%	20,159,221
SYSTEMWIDE FACILITIES	16,750,650	(14,085,000)	2,665,650	16,750,650	(14,085,000)	-84%	2,665,650
SYSTEMWIDE INSTRUCTION PROGRAMS	5,810,152	711,437	6,521,589	442,925	422,981	95%	865,906
SYSTEMWIDE PROGRAMS AND INITIATIVES	219,915,201	(3,355,368)	216,559,833	131,350,390	3,928,537	3%	135,278,927
ADMISSIONS & FINANCIAL AID (CETAD)	146,000	-	146,000	146,000	-	0%	146,000
AGRICULTURE & NATURAL RESOURCES (ANR)							
ANR Systemwide	81,716,950	-	81,716,950	58,457,288	3,395,000	6%	61,852,288
ANR OP	4,133,410	(7,904)	4,125,506	3,357,089	-	0%	3,357,089
PREPARATION AND ACCESS	15,957,762	1,518,880	17,476,642	10,957,762	1,518,880	14%	12,476,642
PRESIDENT'S INITIATIVE	10,000,000	-	10,000,000	10,000,000	-	0%	10,000,000
PUBLIC SERVICE	625,000	-	625,000	625,000	-	0%	625,000
RESEARCH	107,336,079	(4,866,344)	102,469,735	47,807,251	(985,343)	-2%	46,821,908
GRAND TOTALS	\$ 560,851,167	\$ 26,413,410	\$ 587,264,577	\$ 305,258,278	\$ 18,933,123	6%	\$ 324,191,401

Additions shown by underscoring; deletions shown by strikethrough

**TOTAL RETURN INVESTMENT POOL (TRIP)
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 University’s Total Return Investment Pool, or TRIP (“Program”). These Objectives and Guidelines shall be subject to ongoing review by the Committee on Investments. Capital market conditions, changes in the investment industry, new financial instruments, or a change in the Committee on Investments’ risk tolerance, are among factors to be considered in determining whether the Guidelines shall be revised.

1. Investment Policy

a. Background:

The TRIP is an investment pool established by The Regents and is available to UC Campuses and ~~the UC Office of the President~~ certain other related entities. The TRIP allows ~~Campuses-UC organizations~~ to maximize return on their long-term working capital, subject to an acceptable level of risk, by taking advantage of the economies of scale of investing in a larger pool and investing across a broad range of asset classes.

b. Incorporation of Regents Investment Policies

1. Investment governance, philosophy, policies and oversight procedures for this Program will be similar to those for the University of California Retirement Plan (UCRP) and General Endowment Pool (GEP), as specified in the Investment Policies for the UCRP.

2. Relevant policies from Sections 1-3 of the UCRP Investment Policy Statement are incorporated by reference into this Policy.

c. Investment Objective

The Objective of the Program is to generate a rate of return, after all costs and fees, in excess of the policy benchmark, and consistent with liquidity, cash flow requirements, and risk budget. See Section 2 for asset allocation and benchmark. As its name implies, TRIP is managed according to a total return objective, and will be subject to interest rate risk, credit risk, ~~and equity risk,~~ foreign exchange risk, commodity risk, and investment manager (implementation) risk. It is appropriate for longer-term investors who can accept this volatility in exchange for higher expected return. While the program will generally invest in liquid, marketable securities, there will at times be a trade-off of illiquidity for higher expected return.

d. Investment Strategy

The Program shall be implemented by the Chief Investment Officer, using a combination of internal and external management (“Managers”), employing actively managed strategies where appropriate. Active strategies will include both sector allocation and security selection. The Chief Investment Officer will monitor the Program’s adherence to these Guidelines.

e. Risk Objective

The Program shall be managed so that its annualized tracking error budget shall be 300 basis points. This budget is consistent with the ~~±10%~~ ranges around the combined asset classes (see 2a below), and incorporates both asset / sector allocation and security selection differences from the aggregate benchmark.

Each Manager or asset class segment will have a unique active risk budget, relative to its asset class 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.

f. Other Constraints and Considerations

- Managers shall comply with applicable State and Federal laws and regulations
- Managers shall at all times act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims
- Managers shall act solely in the interest of the Program's owners.

2. **Investment Guidelines**

~~The portfolio will be invested primarily in marketable, publicly traded equity and fixed income securities denominated in (or hedged back to) U.S. dollars.~~

a. Strategic Asset Allocation and Allowable Ranges

	<u>Target Allocation</u>
US Fixed Income—Government	5%
US Fixed Income—Credit	45%
US Fixed Income—Securitized	5%
High Yield Debt	10%
US Equity—All Cap—	15%
REITS	5%
Non US Equity (hedged)	15%
Liquidity	0%

Combined Asset Classes	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
Public Equity	35%	25%	45%
US Fixed Income	65%	55%	75%
Liquidity	0%	0%	10%
Total	100%		

<u>Asset Category</u>	<u>Target Allocation</u>	<u>Lower Bound</u>	<u>Upper Bound</u>
<u>U.S. Equity</u>	<u>15.0%</u>	<u>10.0%</u>	<u>20.0%</u>
<u>Non-U.S. Devel. Equity</u>	<u>7.5</u>	<u>5.0</u>	<u>10.0</u>
<u>Emerging Market Equity</u>	<u>7.5</u>	<u>5.0</u>	<u>10.0</u>
<u>Opportunistic Equity</u>	<u>10.0</u>	<u>7.5</u>	<u>12.5</u>
<u>Global REITS</u>	<u>10.0</u>	<u>7.5</u>	<u>12.5</u>
<u>U.S. Core Gov't.</u>	<u>2.5</u>	<u>0</u>	<u>5.0</u>
<u>U.S. Core Credit</u>	<u>7.5</u>	<u>5.0</u>	<u>10.0</u>
<u>High Yield Debt</u>	<u>5.0</u>	<u>2.5</u>	<u>7.5</u>
<u>Emerging Market Debt</u>	<u>5.0</u>	<u>2.5</u>	<u>7.5</u>
<u>Absolute Return</u>	<u>10.0</u>	<u>7.5</u>	<u>12.5</u>
<u>Cross Asset Class</u>	<u>20.0</u>	<u>15.0</u>	<u>25.0</u>
<u>Liquidity</u>	<u>-</u>	<u>0</u>	<u>10.0</u>
<u>TOTAL</u>	<u>100.0</u>		
<u>Public Equity</u>	<u>50.0</u>	<u>35.0</u>	<u>65.0</u>
<u>Fixed Income</u>	<u>20.0</u>	<u>10.0</u>	<u>30.0</u>
<u>Alternatives</u>	<u>30.0</u>	<u>22.5</u>	<u>37.5</u>
<u>TOTAL</u>	<u>100.0</u>		

b. Total TRIP Performance Benchmark

This is the composition of the total TRIP performance benchmark, which reflects the weights in the "Target Allocation" above:

<u>Percentage</u>	<u>Benchmark</u>
5%	× Barclays Capital US Aggregate Government Index
45%	× Barclays Capital US Aggregate Credit Index
5%	× Barclays Capital US Aggregate Securitized Index
10%	× BofA / Merrill Lynch HY Cash Pay BB/B rated Index
15%	× Russell 3000 Index (Tobacco Free)
5%	× FTSE / NAREIT US REIT Index
15%	× MSCI World ex US Net Index (hedged) (Tobacco Free)
<u>Percentage</u>	<u>Performance Benchmark</u>
<u>15.0%</u>	<u>× Russell 3000 Index (Tobacco Free)</u>
<u>7.5%</u>	<u>× MSCI World ex U.S. Index (Net) (unhedged) (Tobacco Free)</u>
<u>7.5%</u>	<u>× MSCI Emerging Market Index (Net)</u>
<u>10.0%</u>	<u>× MSCI All Country World Index (Net)</u>
<u>10.0%</u>	<u>× FTSE / EPRA / NAREIT Global REIT Index</u>
<u>2.5%</u>	<u>× Barclays U.S. Aggregate Government Index</u>
<u>7.5%</u>	<u>× Barclays U.S. Aggregate Credit Index</u>
<u>5.0%</u>	<u>× BofA / Merrill Lynch HY Cash Pay BB/B rated Index</u>
<u>5.0%</u>	<u>× JP Morgan Emerging Markets Bond Index Global Diversified</u>
<u>10.0%</u>	<u>× HFRX Absolute Return Index (50%) + HFRX Market Directional Index (50%)</u>
<u>20.0%</u>	<u>× Aggregate TRIP Policy Benchmark</u>

Notes on Total Program benchmark:

1. The calculation of the Total Program benchmark will assume a monthly rebalancing methodology.
2. 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.

c. Rebalancing Policy

There will be periodic deviations in actual asset weights from the 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 Chief Investment Officer to rebalance the Fund when necessary to ensure adherence to the Investment Policy.

The Chief Investment Officer will monitor the actual asset allocation at least monthly. The Committee directs the Chief Investment Officer 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 Chief Investment Officer may utilize derivative contracts (in accordance with the Derivatives Policy found in Appendix 4 of the UCRP [Investment Policy Statement](#)) to rebalance the portfolio.

The Chief Investment Officer 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 Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of the Plan. [Results of rebalancing will be reported to the Committee at quarterly meetings.](#)

d. Asset Class Guidelines

The Program will be invested in a diversified portfolio of equity, ~~and~~ fixed income, ~~and other~~ securities. Each Segment of the Program, as defined above, will be subject to the Regents' Asset Class guidelines that is appropriate and in effect for that Segment. These Guidelines are found in the Appendices to the UC ~~Retirement Plan~~ [RP Investment Policies Policy Statement](#), and are hereby incorporated by reference.

[Managers may utilize derivative contracts and strategies in accordance with the Derivatives Policy found in Appendix 4 of the UCRP Investment Policy Statement, and may employ leverage as circumscribed in the relevant asset class guidelines.](#)

e. 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 Chief Investment Officer is responsible for managing aggregate risk exposures.](#)

[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.

fe. Restrictions

The Managers may **not**:

- Purchase securities of tobacco related companies, as per the UCRP Investment Policy Statement, section 5b.
- Invest in mutual funds or group trusts unless specifically allowed in ~~its~~ their guidelines
- Buy party-in-interest securities
- Buy securities restricted as to sale or transfer, except for 144A securities, which are permitted
- ~~Buy or write structured ("levered") notes~~
- ~~Employ economic leverage in the portfolio through borrowing or derivatives, or engage in derivative strategies that conflict with the Derivatives Policy~~

Subject to the limitations above, the Managers have complete discretion with regard to choosing sector weights, issuers, and maturities.

3. Evaluation and Review

a. Policy and Guideline Review

The Chief Investment Officer shall review the Objectives and Guidelines at least annually, and report to the Committee on Investments 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 Objectives of the Program and individual Managers.

4. Reporting

On a quarterly basis, the Chief Investment Officer shall provide the following reports to the Committee on Investments:

- a. A summary of Program investments and risks.
- b. A summary of Program performance, on an absolute and benchmark relative basis.
- b.c. A performance attribution explaining differences in sector weights and returns, between the aggregate Program investments and the Benchmark, and an explanation of any material differences

Each Manager will be required to provide the Chief Investment Officer monthly and quarterly reports, including but not limited to:

- ~~a. Monthly accounting statements showing portfolio income, holdings and transactions~~
- 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.
- ~~b-d.~~ Quarterly review of portfolio and strategy performance including a market outlook
- ~~e-e.~~ Annual statement of compliance with investment guidelines

5. Investment Operations and Restrictions

- a. University Financial Management may establish limitations on Campus investments to maintain sufficient short term liquidity for University cash needs, and restrictions on withdrawals as is appropriate for the investment of longer-term assets.
- b. Annual distributions ~~of income and capital gains~~ will be made to participating UC entities~~Campuses~~, according to a spending rate which will be reviewed and approved annually by the Committee on Investments.

6. Definitions: See Appendix 8 of the UCRP Investment Policy Statement

RESOLUTION

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012 and this Resolution, the following named member of the Board of the University of California shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable him to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

NAME	TITLE
Kenneth Feingold	Regent

RESOLUTION

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012 and this Resolution, the following named member of the Board of the University of California shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable her to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

NAME	TITLE
Cinthia Flores	Regent

RESOLUTION

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012 and this Resolution, the following named member of the University of California Key Management Personnel shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable her to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

NAME	TITLE
Mary Gilly	Vice Chair of the Academic Senate

RESOLUTION

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012 and this Resolution, the following named member of the Board of the University of California shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable him to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

NAME	TITLE
Van Schultz	Regent

Additions shown by underscoring

Attachment 1 – Approval Authority for SMG Appointment and Compensation Transactions

The Regents will be responsible for approving individual appointment and compensation transactions for the President, all direct reports to the Regents and/or President, and the five chief executive officers of the medical centers (collectively referred to as “Level One” SMG members).

For the remaining SMG members (collectively referred to as “Level Two” SMG members), the approval authority for all individual appointment and compensation transactions within policy will be as follows, subject to the additional limitations set forth below:

- If the proposed base salary is at or above the 75th percentile of the position’s MRZ, Regental approval is required.
- If the proposed base salary is at or above the 60th percentile and below the 75th percentile of the position’s MRZ, Presidential approval is required.
- If the proposed base salary is below the 60th percentile of the position’s MRZ:
 - Approval of the Chancellor is required for positions at a campus or medical center.
 - Approval of the Laboratory Director is required for positions at the Laboratory.
 - Approval of the President is required for positions at the Office of the President.

The following additional limitations apply to transactions involving Level Two SMG members:

- If the transaction would otherwise be subject to Presidential review, Regental review will be required if the transaction either:
 - Results in a cumulative or annualized increase in base salary that is ten percent or more in any calendar year for an incumbent; or
 - Results in a base salary for a new hire that is ten percent or more than the previous incumbent’s base salary.
- If the transaction would otherwise be subject to the approval of the Chancellor or Laboratory Director, Presidential approval will be required if the transaction either:
 - Results in a cumulative or annualized increase in base salary that is ten percent or more in any calendar year for an incumbent; or
 - Results in a base salary for a new hire that is ten percent or more than the previous incumbent’s base salary.

Regental approval will continue to be required for all transactions for SMG members that constitute exceptions to policy.

Notwithstanding the foregoing, the approval authority and process for approval stated in *Regents Policy 7712 – Incentive Awards* will continue to apply to incentive awards for Level One and Level Two SMG members, rather than the approval authority stated above.

The Regents will approve the addition of positions to the SMG and elimination of Level One positions from the SMG, upon the recommendation of the President. The President will approve the elimination of Level Two positions from the SMG, after consulting with the Chair of the Committee on Compensation.