

The Regents of the University of California

COMMITTEE ON COMPENSATION

November 20, 2014

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

Members present: Regents Kieffer, Reiss, and Saifuddin; Ex officio members Napolitano and Varner; Advisory members Davis and Gilly

In attendance: Regents Blum, De La Peña, Engelhorn, Island, Leong Clancy, Makarechian, Ortiz Oakley, Pattiz, Pérez, Ruiz, and Sherman, Regents-designate Gorman and Oved, Faculty Representative Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Senior Vice Presidents Dooley and Stobo, Vice Presidents Budil, Duckett, Lenz, and Sakaki, Chancellors Blumenthal, Gillman, Hawgood, Katehi, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 11:45 a.m. with Committee Chair Kieffer presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of September 18, 2014 were approved.

2. APPROVAL OF TERM APPOINTMENT OF AND COMPENSATION FOR PATRICE KNIGHT AS ASSOCIATE VICE PRESIDENT – CHIEF PROCUREMENT OFFICER, UC HEALTH, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION

Background to Recommendation

This appointment is a key position for UC Health’s efforts to better control costs and manage the overall enterprise more efficiently. The purchasing activity of UC medical centers amounts to \$2.4 billion annually. Patrice Knight’s charge will be to develop programs and processes to achieve a target of \$150 million in savings over three years. The medical centers will not fund this position using any State or tuition funds.

The President of the University recommended approval for the appointment of and compensation for Ms. Knight as Associate Vice President – Chief Procurement Officer (AVP-CPO), UC Health, Office of the President.

Developing increased efficiencies across the UC system is a top priority of the Office of the President, and central to that are efforts to reduce costs, eliminate waste, streamline processes, eliminate duplication, and leverage UC's scale to drive cost savings opportunities. In this role, Ms. Knight will spearhead and advance efforts with the campus and UC Health procurement leaders to effectively develop and manage procurement across the UC system, driving value and efficiency.

The assigned Market Reference Zone (MRZ) for the AVP-CPO position has the following range: 25th percentile – \$253,000, 50th percentile – \$310,000, 60th percentile – \$326,000, 75th percentile – \$357,000, 90th percentile – \$414,000. Based on the scope and complexity of duties, the critical nature of the AVP-CPO role, the current market competition, and the exceptional qualifications of the candidate, the President proposes an annual base salary of \$410,000 for Ms. Knight, which is 14.9 percent above the 75th percentile and one percent below the 90th percentile of the MRZ. The appointment is proposed for a four-year term effective from January 1, 2015 through December 31, 2018.

Ms. Knight brings substantial leadership experience to the role of AVP-CPO with a remarkable track record of success. She is an accomplished sourcing and procurement professional with broad and extensive experience at IBM, a complex, global matrix environment. She has more than 30 years of procurement experience with IBM, including Vice President-level positions in Procurement, Global Supply, Supply Chain, and Strategic Sourcing. Most recently, as Vice President of Procurement at IBM, Ms. Knight led a team of consultants and process managers that focused on year-over-year efficiency and effectiveness improvements across all businesses and delivered more than \$200 million in return on investment over five years. This effort delivered \$6 billion dollars in savings on the cost of procured goods and services in 2010 and 2011. As Vice President – Global Supply at IBM, Ms. Knight led supplier diversity efforts and served as a member of the National Minority Supplier Development Council (NMSDC) and chair of the NMSDC International Committee. In that role, she led a global operations team that included 1,000 procurement personnel operating in global centers of excellence.

Ms. Knight holds a bachelor's degree in political science from the State University of New York – Oneonta.

Recommendation

The Committee recommended approval of the following items in connection with the term appointment of and compensation for Patrice Knight as Associate Vice President – Chief Procurement Officer, UC Health, Office of the President:

- A. Appointment of Patrice Knight as Associate Vice President – Chief Procurement Officer, UC Health, Office of the President, at 100 percent time for a four-year term from January 1, 2015 through December 31, 2018.
- B. Per policy, annual base salary of \$410,000.

- C. Per policy, eligible to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with a target award of 15 percent of base salary (\$61,500) and a maximum potential award of 25 percent of base salary (\$102,500). Actual award will be determined based on performance against pre-established objectives.
- D. Per policy, monthly contribution to the Senior Management Supplemental Benefit program.
- E. Per policy, a relocation allowance of 25 percent of base salary (\$102,500), which is intended to offset additional unreimbursed expenses associated with accepting the University's offer and relocating at the request of the University. The relocation allowance will be paid in annual installments over four years, with 40 percent of the allowance (\$41,000) paid in the first year, 30 percent (\$30,750) in the second year, 20 percent (\$20,500) in the third year, and ten percent (\$10,250) in the fourth year, subject to the limitations under policy. Any unpaid relocation allowance amounts will be forfeited at the time of separation.
- F. Per policy, 100 percent reimbursement of actual and reasonable expenses associated with moving Ms. Knight's household goods and personal effects from her former primary residence to her new primary residence, subject to the limitations under policy.
- G. Per policy, reimbursement for up to two house-hunting trips for Ms. Knight and her spouse or partner to secure housing in the San Francisco area, subject to the limitations under policy.
- H. Per policy, reimbursement of actual and reasonable costs of transportation associated with Ms. Knight taking up to two return trips home to her former residence to facilitate her relocation, subject to limitations under policy.
- I. Per policy, reimbursement of reasonable travel expenses for all business-related visits to the Office of the President prior to Ms. Knight's official start date.
- J. Per policy, eligible to participate in the UC Home Loan Program, subject to all applicable program requirements.
- K. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).

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: President Napolitano
Reviewed by: Committee on Compensation Chair Kieffer
Office of the President, Human Resources

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer briefly introduced the item, explaining that this position was critical to the University's effort to meet future financial needs through savings that can be generated from coordinating procurement activities. The candidate has an extraordinary background with IBM. Executive Director Dennis Larsen outlined elements of the proposed compensation for Patrice Knight, explaining that she would be taking a significant cut in pay to join UC. The University was offering her an annual salary of \$410,000 and an incentive target of 15 percent, for a total cash compensation target of \$471,500. Funding for the position would come exclusively from medical center revenues; no State or tuition funds would be used. Ms. Knight would also receive a cash relocation allowance of 25 percent of base salary, paid out over four years, to help offset the higher cost of living she would experience in moving from Beacon, New York to the San Francisco Bay Area.

Committee Chair Kieffer noted that the Regents would review their policies on relocation allowances at a future meeting.

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

3. **APPROVAL OF ESTABLISHMENT OF THE NEW SENIOR MANAGEMENT GROUP POSITION OF SENIOR ADVISOR TO THE PRESIDENT FOR INNOVATION AND ENTREPRENEURSHIP, AND THE MARKET REFERENCE ZONE FOR THE POSITION; APPOINTMENT OF AND COMPENSATION FOR REGIS B. KELLY AS SENIOR ADVISOR TO THE PRESIDENT FOR INNOVATION AND ENTREPRENEURSHIP, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION**

Background to Recommendation

Innovation and entrepreneurship through research is of ever-increasing importance to the University of California system. The creation of this position is an important component in increasing revenue for UC innovations and incubator activity. This new position will report directly to the President, and no State funds or tuition will be used for the compensation of this position.

This proposed appointment directly follows the recommendations of the Regents' 2012 Working Group on Technology Transfer, chaired by Regent Makarechian and co-led by Regents Varner and De La Peña. The Working Group concluded that given the size of UC's research enterprise, there is significant potential for increased revenue through

technology transfer. The first of several recommendations of the group was that in order to increase revenue generated through technology transfer, UC must invest more resources. That is precisely what is being done through the creation of the new position. Currently, there is no single individual or office at UC focused on enhancing innovation and entrepreneurship, which has significantly inhibited the University's efforts in these areas.

Hiring the Senior Advisor for Innovation and Entrepreneurship to lead UC's efforts is the critical first step towards (1) making certain that UC is devoting the appropriate time, attention, and level of resources in these areas, and (2) ensuring that the resources the University invests going forward have maximum impact with respect to increasing both revenue generation and the spread of UC's ground-breaking research into the market.

The Senior Advisor to the President for Innovation and Entrepreneurship will serve as the lead for the UC system in the development of the University's innovation, technology commercialization, and entrepreneurship strategies. In this role, Mr. Kelly will collaborate closely with chancellors, Laboratory directors, medical center leadership, and other senior leaders on the implementation of these strategies at locations across the system. As leader of this systemwide effort, Mr. Kelly will promote academic research as a means to foster new technologies, improve public health and well-being, and drive economic growth, in order to develop additional revenue for the University and improve and expand the translation of UC's ground-breaking research into the market for the public benefit. The development of these alternative revenue sources has become increasingly important given the current financial realities facing the University. To accomplish these goals, he will bridge academia and commercial industries with entrepreneurial ventures.

Regis B. Kelly is uniquely qualified due to his extensive experience within the UC system and working with leading research firms in these types of value-creating activities.

The President of the University recommended approval to establish the position of Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President, as a new Level One position in the Senior Management Group (SMG). The proposed Market Reference Zone (MRZ) for this position is as follows: 25th percentile – \$347,000, 50th percentile – \$361,000, 60th percentile – \$375,000, 75th percentile – \$405,000, 90th percentile – \$492,000.

The President of the University also recommended approval of the appointment of and compensation for Mr. Kelly as Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President, at 75 percent time, effective upon approval. Mr. Kelly will continue to be Director of the California Institute for Quantitative Biosciences (QB3) at the San Francisco campus at 25 percent time. In addition, Mr. Kelly will continue to hold a zero percent appointment as Professor Emeritus. Mr. Kelly, currently a faculty retiree rehired at a 43 percent appointment, serves as Director of QB3, one of four Governor Gray Davis Institutes for Science and Innovation.

Based on the scope and complexity of duties and the exceptional qualifications of Mr. Kelly, the President proposed a base salary of \$349,000, reflecting an appointment of 75 percent time (the annualized salary equates to \$465,000) for the Senior Advisor to the President for Innovation and Entrepreneurship role. Consistent with Regents Policy 7706, Reemployment of UC Retired Employees Into Senior Management Group and Staff Positions, section IV.C.1, the "...appointment rate in the rehire position will be used to determine appropriate placement in the Market Reference Zone..." The appointment salary of \$349,000 is seven percent below the 60th percentile and 13 percent below the 75th percentile of the proposed MRZ. Mr. Kelly will also continue his current role at UCSF in a reduced capacity, receiving a salary of \$54,000 for the 25 percent time appointment as the Director – QB3, San Francisco campus. His total combined annual base salary between the two sources will be \$403,000.

Funding for this position will come from non-State funds. The Office of the President will fund the SMG appointment salary of \$349,000; the remaining balance of \$54,000 will be funded by UCSF in support of Mr. Kelly's continuing duties associated with the campus and QB3.

Mr. Kelly will identify early-stage opportunities that align with the President's initiative on Innovation and Entrepreneurship. The initiative is expected to generate significant revenue for the University each year, in which the majority of the funds will be used to support research and education across the entire UC system.

Recommendation

The Committee recommended approval of the following items in connection with the establishment of the new Senior Management Group position of Senior Advisor to the President for Innovation and Entrepreneurship, and the Market Reference Zone for the position, and the appointment of and compensation for Regis B. Kelly as Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President:

- A. Establishment of the new Senior Management Group position of Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President. This will be a Level One position in the Senior Management Group.
- B. Establishment of a Market Reference Zone (MRZ) for the Senior Advisor to the President for Innovation and Entrepreneurship, as follows: 25th percentile – \$347,000, 50th percentile – \$361,000, 60th percentile – \$375,000, 75th percentile – \$405,000, 90th percentile – \$492,000.
- C. Appointment of Regis B. Kelly as Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President, at 75 percent time. Mr. Kelly will also continue to serve as the Director – QB3, San Francisco campus, at 25 percent time. Mr. Kelly will suspend his UC Retirement Plan (UCRP) benefits in order to resume full-time University employment.
- D. Per policy, a base salary of \$349,000 (\$465,000, annualized) at the 75 percent

appointment rate as the Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President. Mr. Kelly will also receive a base salary of \$54,000 (\$216,300, annualized) at the 25 percent appointment rate as the Director – QB3, San Francisco campus, for a combined total annual base salary of \$403,000.

- E. Per policy, a monthly contribution to the Senior Management Supplemental Benefit program applied only to the portion of salary associated with Mr. Kelly's role as the Senior Advisor to the President.
- F. Per policy, eligible to participate in the UC Home Loan Program, subject to all program requirements.
- G. 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). Eligibility to accrue UCRP credits as an active participant, consistent with policy.
- H. This action will be effective upon approval.

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: President Napolitano
Reviewed by: Committee on Compensation Chair Kieffer
Office of the President, Human Resources

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Kieffer briefly introduced the item, noting that the establishment of this position was in response to the findings and recommendations of the 2012 Regents' Working Group on Technology Transfer. Executive Director Dennis Larsen outlined elements of the proposed new position and compensation for the appointment, which would be at 75 percent time. The position would be funded by the Office of the President; no State or tuition funds would be used. Regis Kelly would continue his affiliation with UCSF at 25 percent time, and the campus would pay this part of his compensation using no State or tuition funds.

Committee Chair Kieffer emphasized Mr. Kelly's strong track record of success at QB3. He was the ideal candidate to lead this new program.

Regent Ruiz asked about the University's expectations of Patrice Knight and Mr. Kelly in terms of financial performance. Vice President Duckett responded that UC expected Ms. Knight's work in consolidating purchasing efforts across UC's medical enterprise to generate \$150 million in savings.

Committee Chair Kieffer observed that a calculation of the future return on the second position might be more difficult. Mr. Duckett responded that Mr. Kelly's performance with QB3 at UCSF had resulted in additional revenue of \$13 million; the University was expecting similar results from this systemwide effort.

Regent-designate Davis remarked that the Regents had received an extensive account of the administration's analysis for arriving at these compensation packages. The Regents were able to confirm that the recommendations meet the requirements of Regents Policy 7701 on Senior Management Group Appointment and Compensation.

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

The meeting adjourned at 11:50 a.m.

Attest:

Secretary and Chief of Staff