

this provision and further provides that Coach Klemm agrees to forfeit this amount.

All other compensation elements to be included in the amended contract are within the September 2008 Parameters and therefore do not require Regental approval.

Recommendation

The Committee recommended approval of the following items in connection with the amendment of contract compensation for Adrian Klemm, Assistant Football Coach, Intercollegiate Athletics, Los Angeles campus:

- (1) As an exception to the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (September 2008 Parameters), annual guaranteed compensation of \$650,000, comprised of \$250,000 in base salary and a \$400,000 talent fee, effective April 1, 2014 and continuing through June 30, 2015. The talent fee portion of the annual guaranteed compensation will increase by \$100,000 to \$500,000, effective July 1, 2015 and continuing through June 30, 2016, thereby increasing the annual guaranteed compensation to \$750,000 at that time. This annual guaranteed compensation is an exception to policy because (a) the annual compensation in the first 12 months of the contract is more than 30 percent greater than it would be under the current contract; and (b) the cumulative total for guaranteed compensation under the proposed contract is more than 30 percent greater than under the current contract.
- (2) The amended contract will be effective April 1, 2014 and continue through June 30, 2016.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: April 1, 2014 and continuing through June 30, 2016

Base Salary: \$250,000 per year

Talent Fee: \$100,000 (prorated at the annual rate of \$400,000 for April 1, 2014 through June 30, 2014); \$400,000 (July 1, 2014 through June 30, 2015); \$500,000 (July 1, 2015 through June 30, 2016)

Guaranteed Compensation: \$162,500 (prorated at the annual rate of \$650,000 for April 1, 2014 through June 30, 2014); \$650,000 (July 1, 2014 through June 30, 2015); \$750,000 (July 1, 2015 through June 30, 2016)

Maximum Potential Bonus/Incentives: \$100,000 per year

Camps: \$10,000 per year

Deferred Compensation (Contingent Retention Bonus): \$0

Signing Bonus: \$63,000

Total Potential Cash Compensation in the first 12 months of the contract (April 1, 2014 through March 31, 2015): \$823,000

Funding: non-State-funded

Budget &/or Prior Incumbent Data

Title: Assistant Football Coach

Base Salary: \$250,000

Talent Fee: \$90,000

Guaranteed Compensation: \$340,000

Maximum Potential Bonus/Incentives: \$100,000 per year

Camps: \$10,000 per year

Deferred Compensation (Contingent Retention Bonus): \$40,000

Total Potential Cash Compensation for the 12-month period of the contract from July 1, 2013 through June 30, 2014: \$490,000

Funding: non-State-funded

The compensation described above shall constitute the University's total commitment for the elements of compensation addressed above 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: UCLA Chancellor Block
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 items.

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

6. **REVISIONS TO THE MARKET REFERENCE ZONES FOR SENIOR MANAGEMENT GROUP COMPENSATION**

The President of the University recommended that the proposed Market Reference Zones be approved as shown in Attachment 1.

[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.]

Vice President Duckett recalled that Market Reference Zones (MRZs) were established by the Regents in 2012, as one response to recommendations made by the 2009 Task

Force on UC Compensation, Accountability, and Transparency. The Task Force called for simplifying and streamlining UC's methodology and for greater use of market comparisons in evaluating senior level positions. MRZs are intended to provide the Regents and the President a better way to manage compensation for the Senior Management Group and allow the University to see its competitive position clearly. MRZs are reviewed annually. No salary increases were proposed in the adjustments to the MRZs in the current item. Overall, the MRZ 50th percentiles had increased by 5.9 percent since 2012, a relevant point when UC's competitive position for hiring and retention is evaluated.

Mr. Duckett then discussed a chart showing salaries for UC's chancellors and the heads of eight comparator institutions, and the rank of these salaries among Association of American Universities (AAU) institutions. MRZs provide data on the University's competitiveness across a wide range of senior management positions in finance, research, operations, and other areas.

Executive Director Dennis Larsen discussed a chart showing the MRZ for UC chancellors. The market median, or 50th percentile, was \$569,000, while UC chancellor salaries cluster close to or below the 25th percentile of the market. He stressed that the MRZ data reflect only base salary. UC does not offer deferred compensation, retention, or performance incentives offered by other institutions. Mr. Larsen then displayed the MRZ data for the position of vice chancellor for development and University relations. These are administrators primarily responsible for fundraising, donor, and outreach efforts. The market for these positions is very competitive, particularly as organizations like UC seek ways to make up for reductions in State funding. Retention of individuals in these positions had become more challenging.

Regent Reiss praised UC's chancellors, recalling that their salaries had been frozen for a long period. Now, when UC was losing chancellors, it would have to pay higher salaries to replace them. She stressed that the University must seek to increase its chancellors' salaries, so that their compensation was not near the bottom of the market range.

Chairman Varner seconded the appreciation for the work of UC's chancellors. He noted that he had spoken with President Napolitano and Committee Chair Kieffer about addressing chancellors' compensation. The Regents are mindful of this issue.

Regent Makarechian expressed regret that salaries for the chancellors of campuses like UC Santa Barbara and UCLA were at the low end of the market, while the campuses enjoyed top rankings among U.S. universities. This fact should be more broadly known. He criticized the news media for framing stories about the University in a negative way.

Regent Pattiz stated that he understood the need for competitive compensation for new hires, but emphasized that UC should not neglect the compensation of outstanding employees who had served for a long time.

Regents De La Peña pointed out that Committee Chair Kieffer had carried out a thorough review of the MRZs.

Regent Lansing stressed that the University's chancellors are extraordinary individuals. She recalled that the chancellors had declined to take a pay raise while tuition was increasing. She expressed the general sentiment of the Board that chancellors deserve to be compensated in a fair and just manner.

Committee Chair Kieffer agreed that the University needed to recognize the contributions of currently serving chancellors and anticipated that UC would face difficulties in the future regarding compensation. There would be a large gap between past compensation, kept level for years, and future compensation decisions to be made in a competitive market. To judge those future decisions by the compensation level of the past incumbent would be to misunderstand the current market. He stated his view that UC has been a leader in trying to hold down the market to reasonable levels.

Regent Newsom referred to a list that had been provided of AAU chancellor and president salaries. He requested that data be broken down to allow comparison of private and public institutions as separate categories. He also asked for information about the non-wage incentives offered by public universities. Mr. Duckett responded that the University usually compares itself to both public and private institutions. Information on forms of compensation beyond base salary is more difficult to obtain for private universities. These institutions are not obliged to report and do not report this information. Mr. Larsen stated that this information was available for public universities, but might also be difficult to obtain because it is reported in various ways, characterized for example as deferred compensation. The University had conducted a study of this matter a few years earlier. Regent Newsom requested the information referred to by Mr. Larsen.

Regent Gould expressed the hope that the University would not only make equity adjustments, but recalibrate the overall compensation level for its chancellors. Chancellors who have served the longest are most disadvantaged.

Committee Chair Kieffer asked that the list of AAU chancellor and president salaries be distributed to the press and the public.

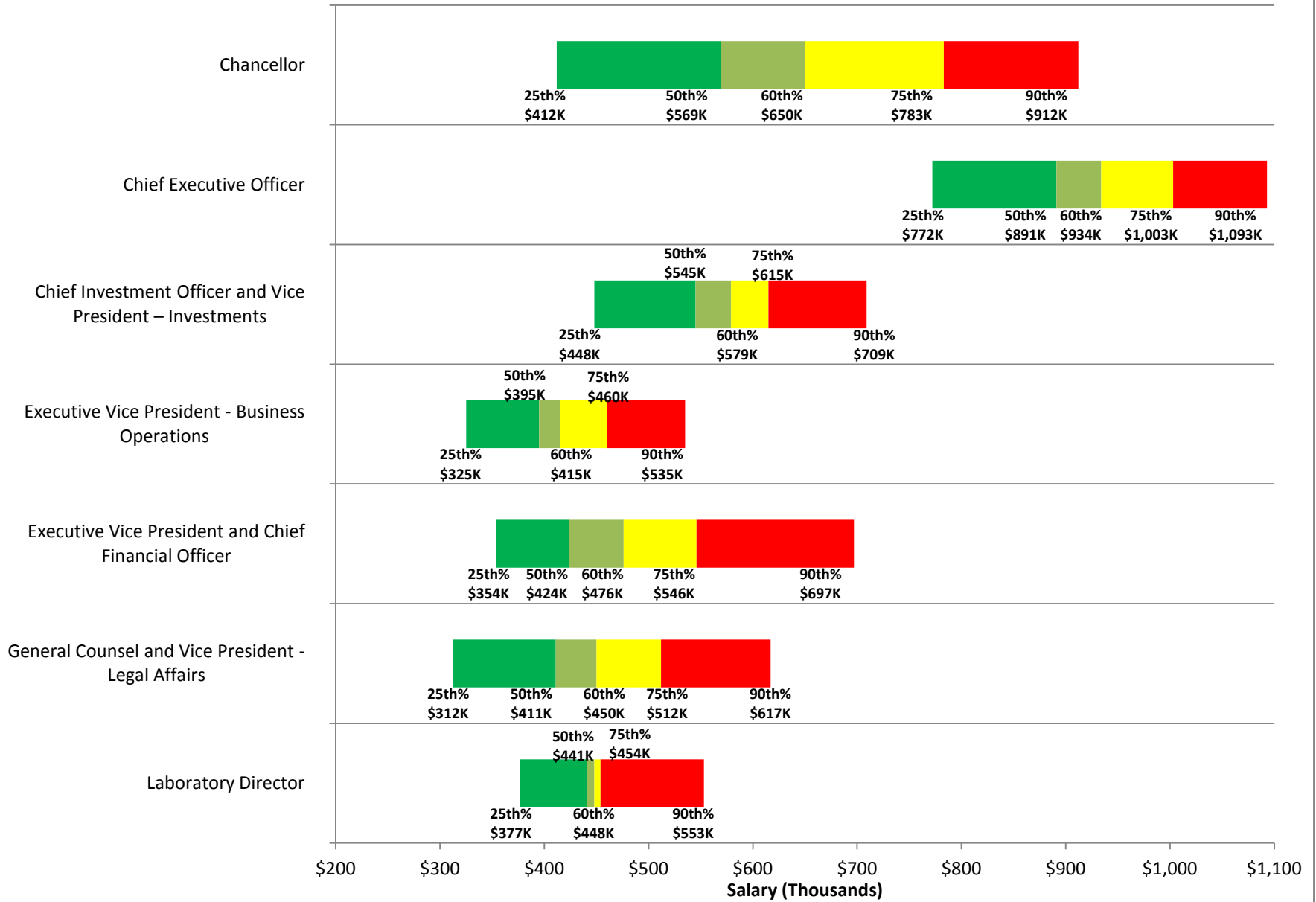
Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 11:45 a.m.

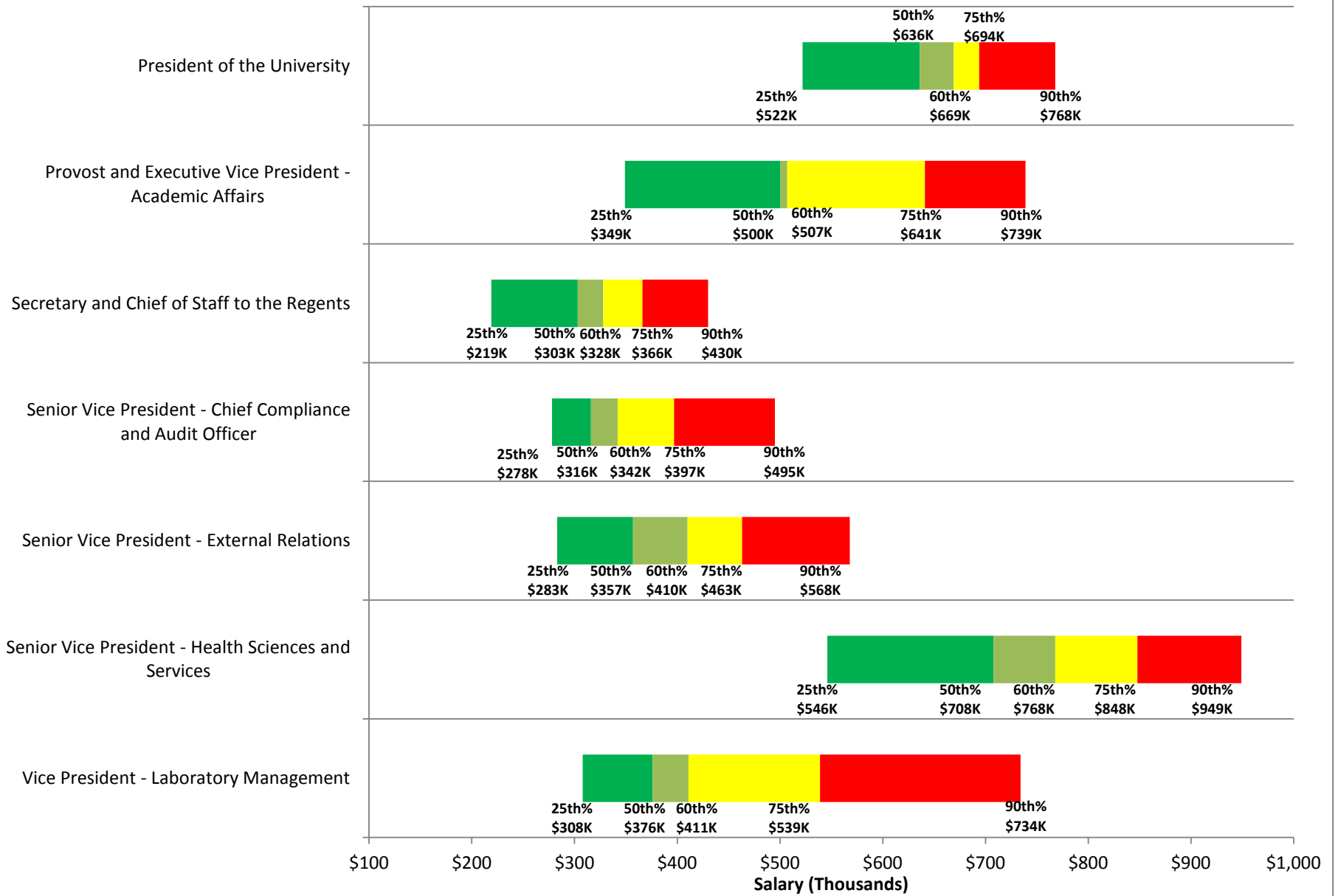
Attest:

Secretary and Chief of Staff

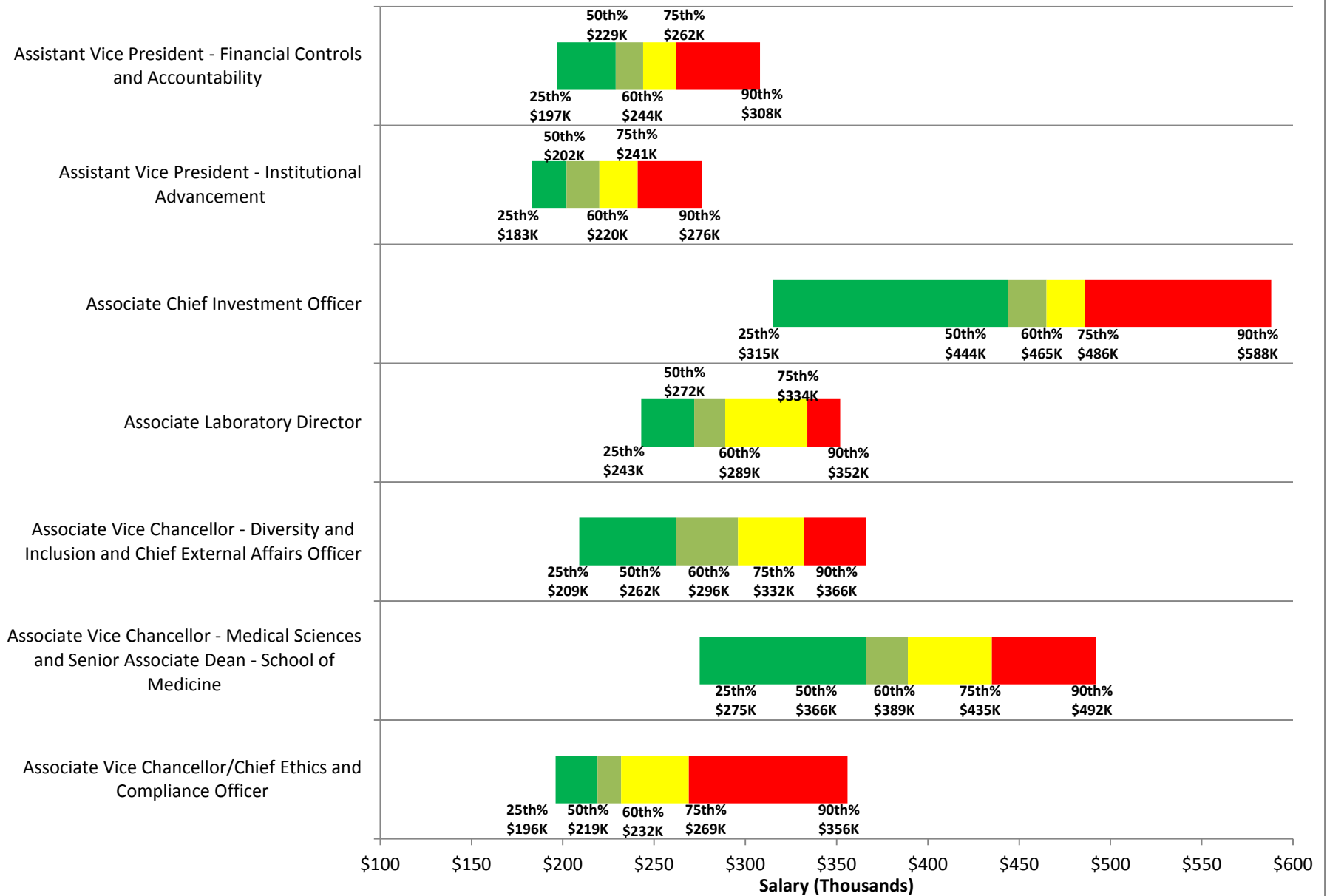
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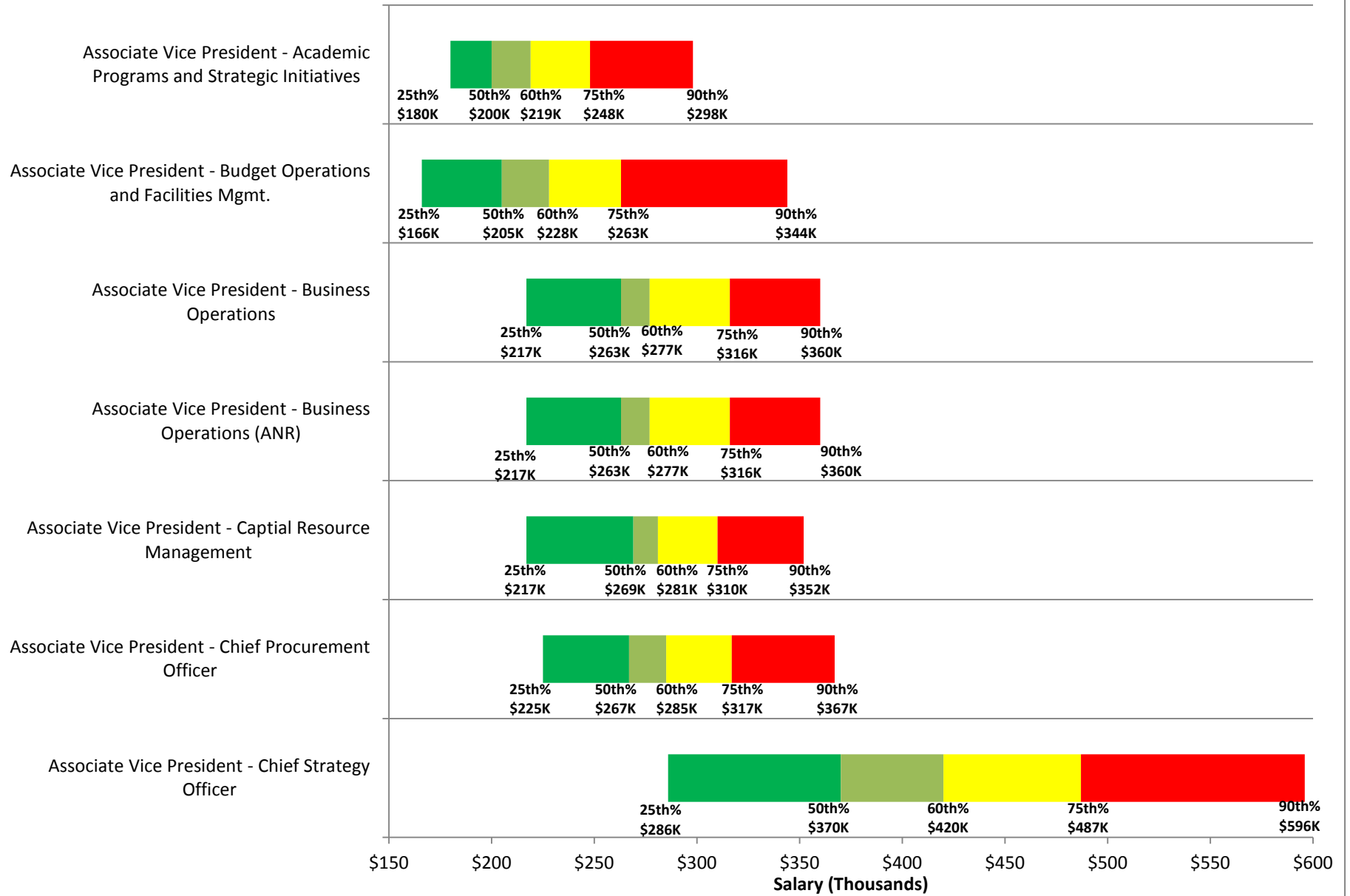
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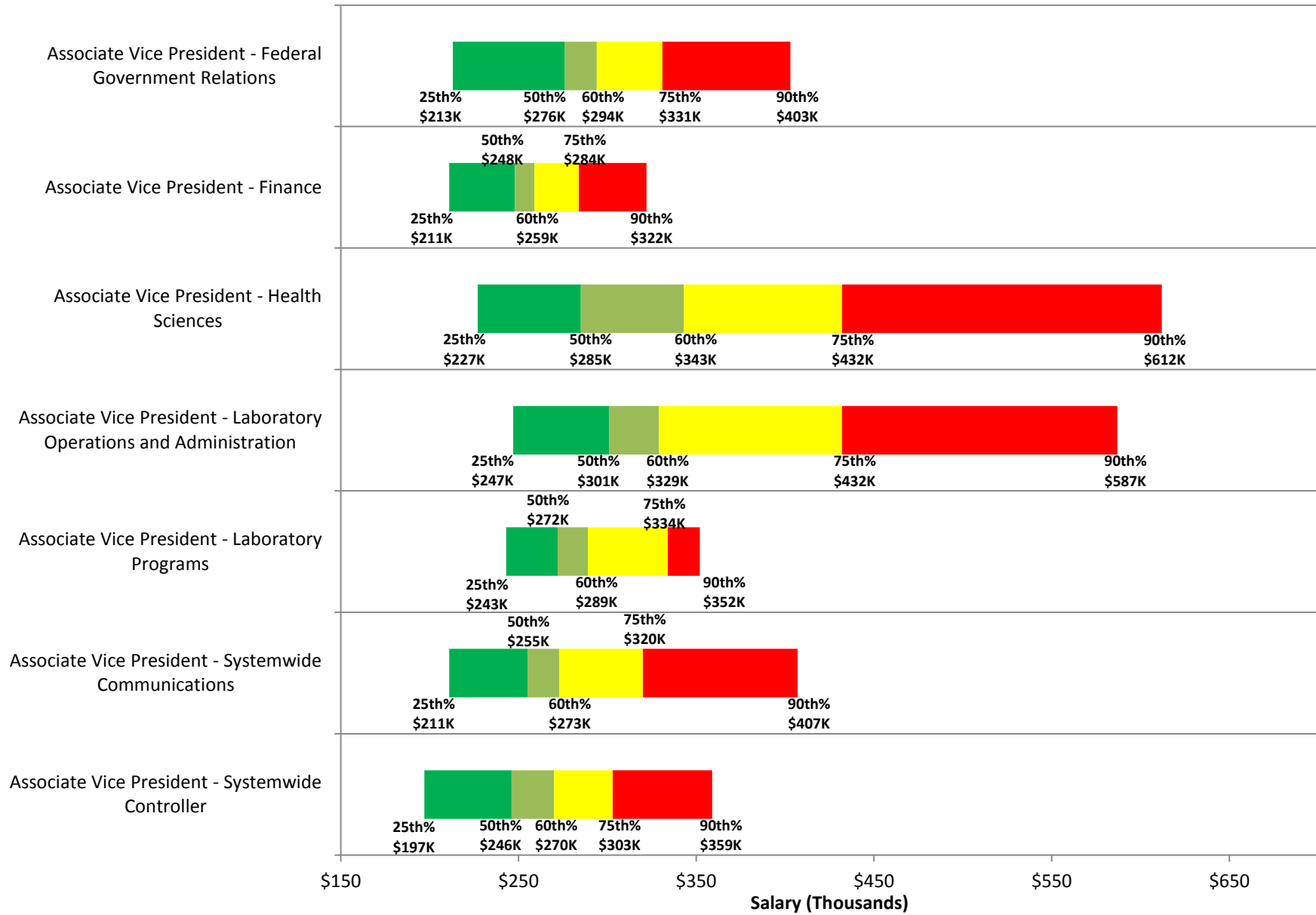
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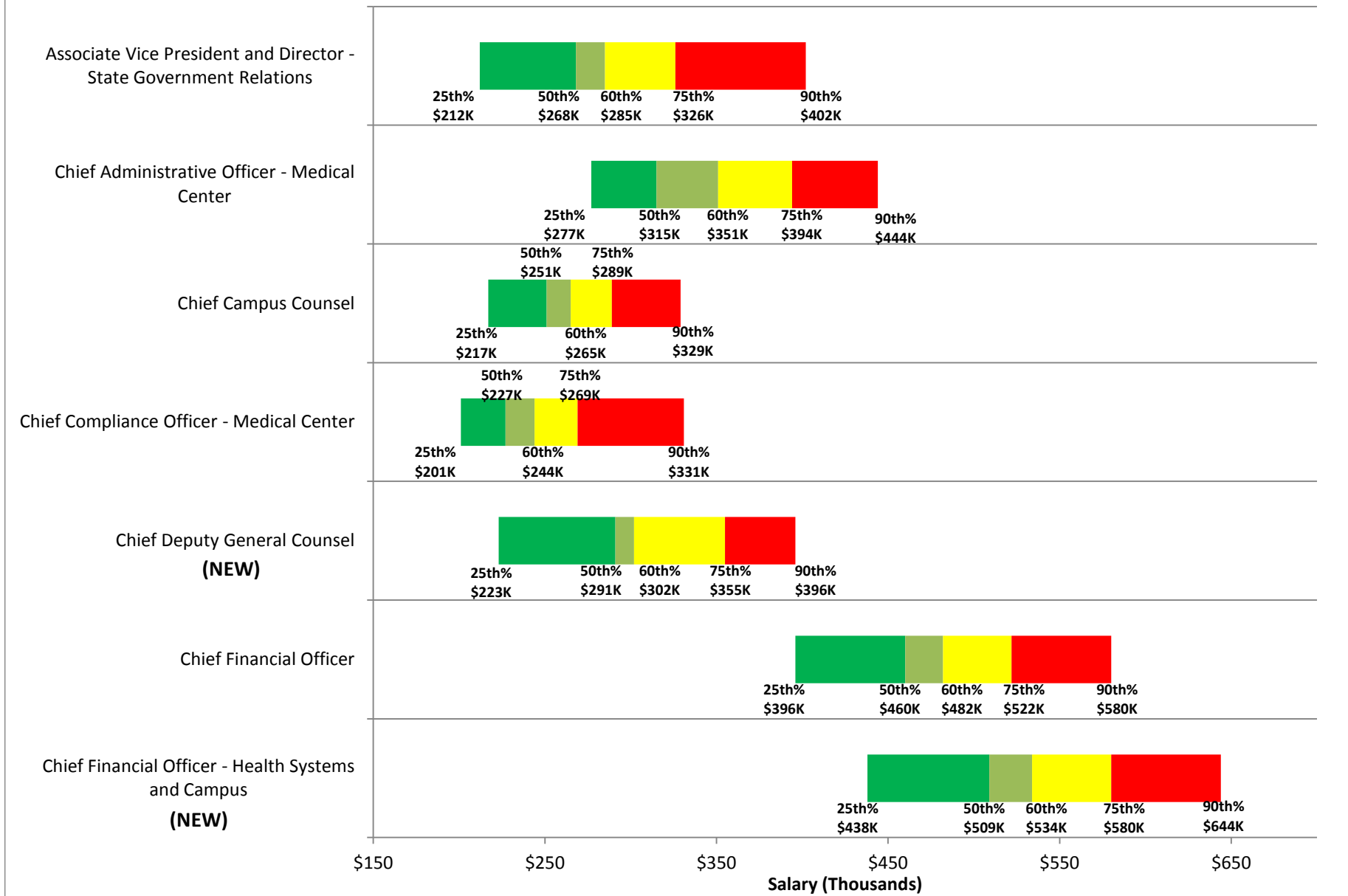
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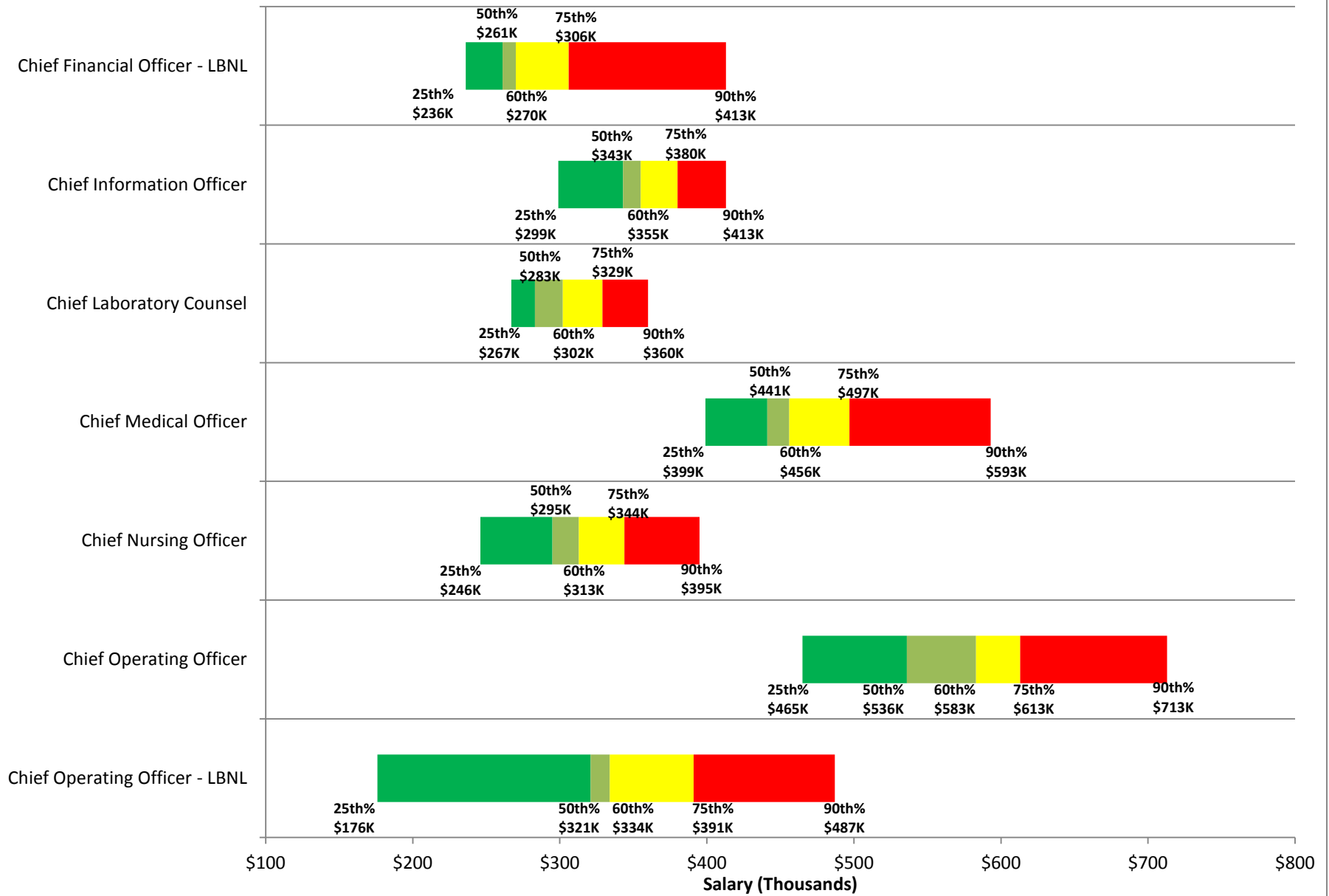
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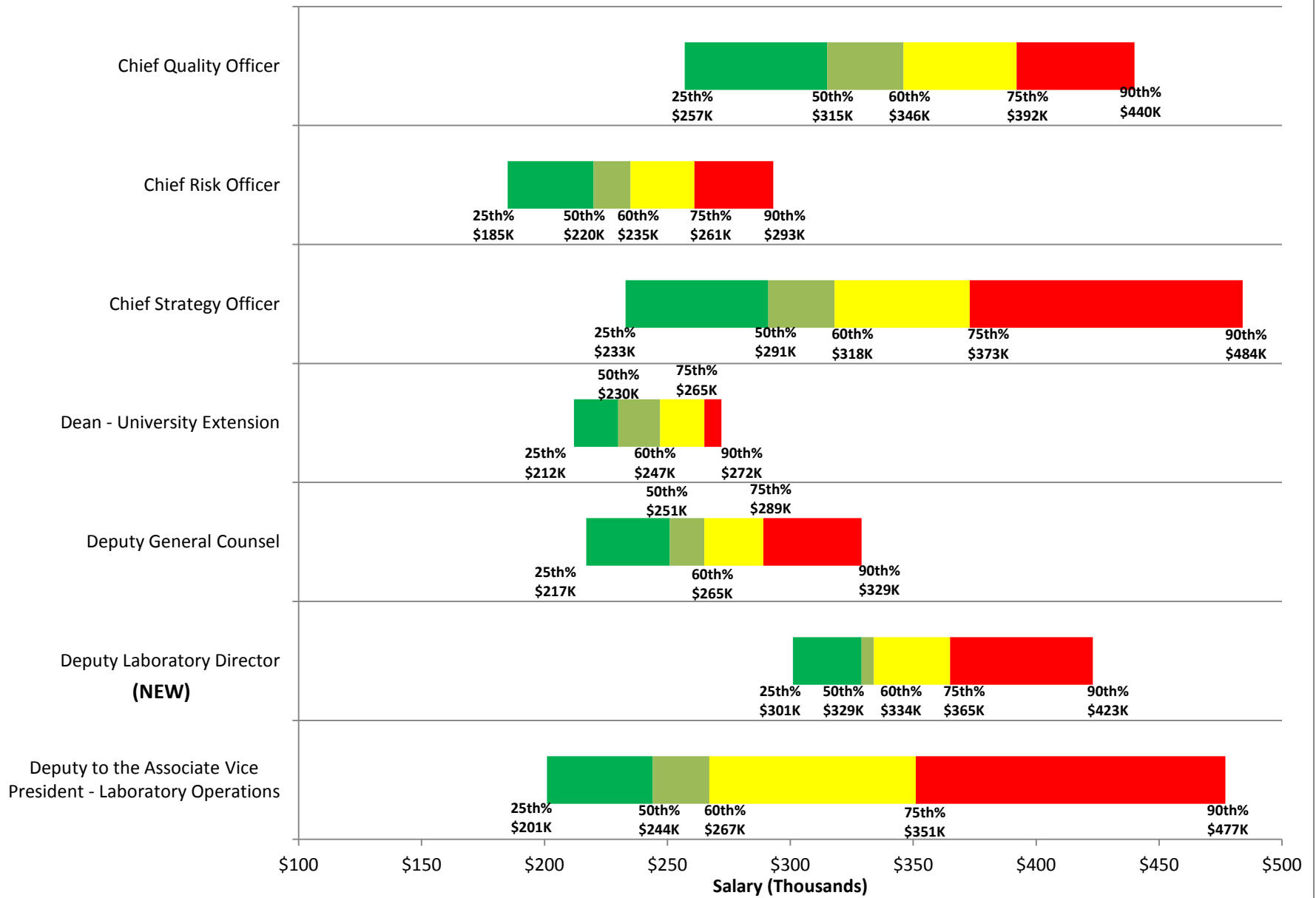
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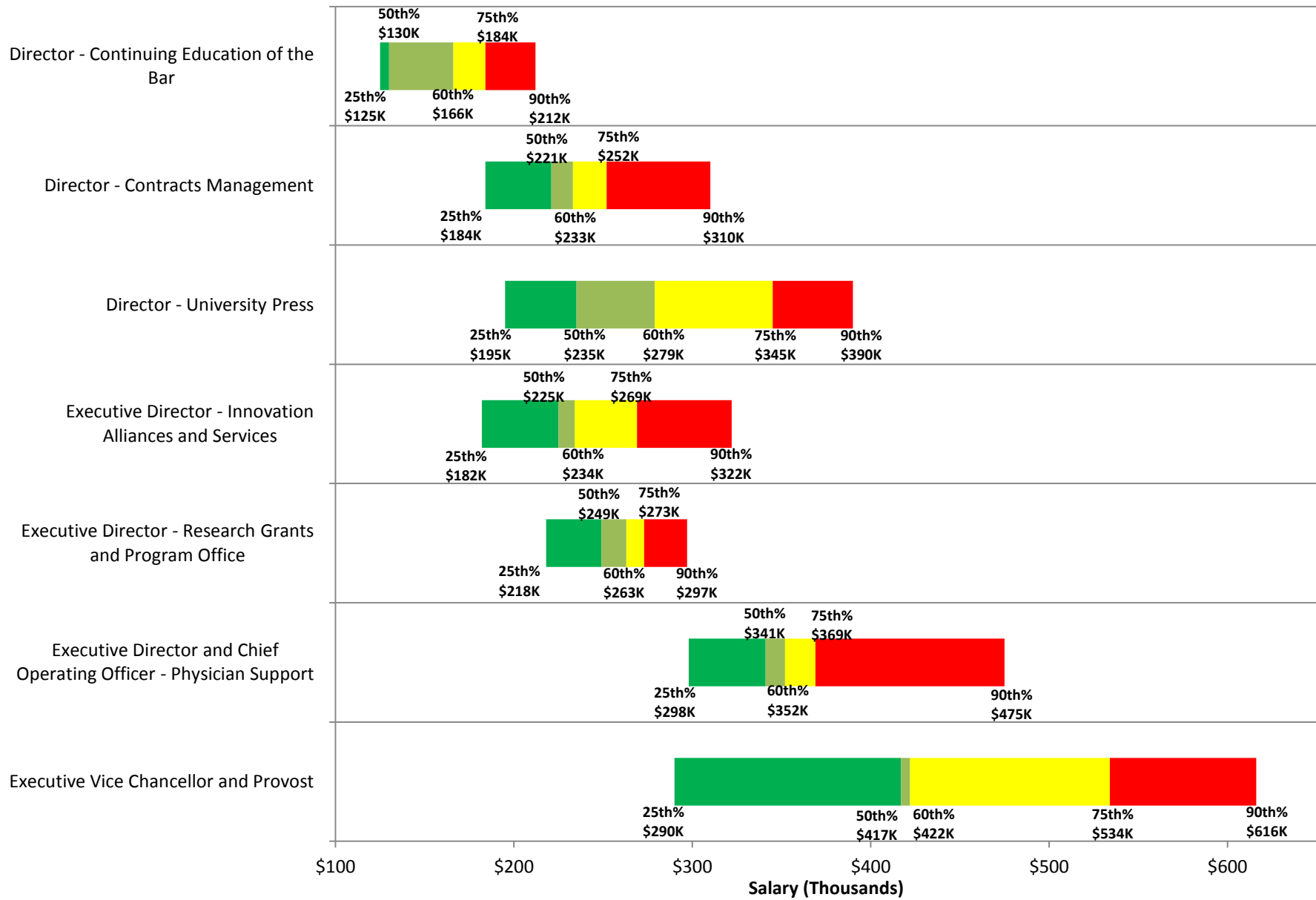
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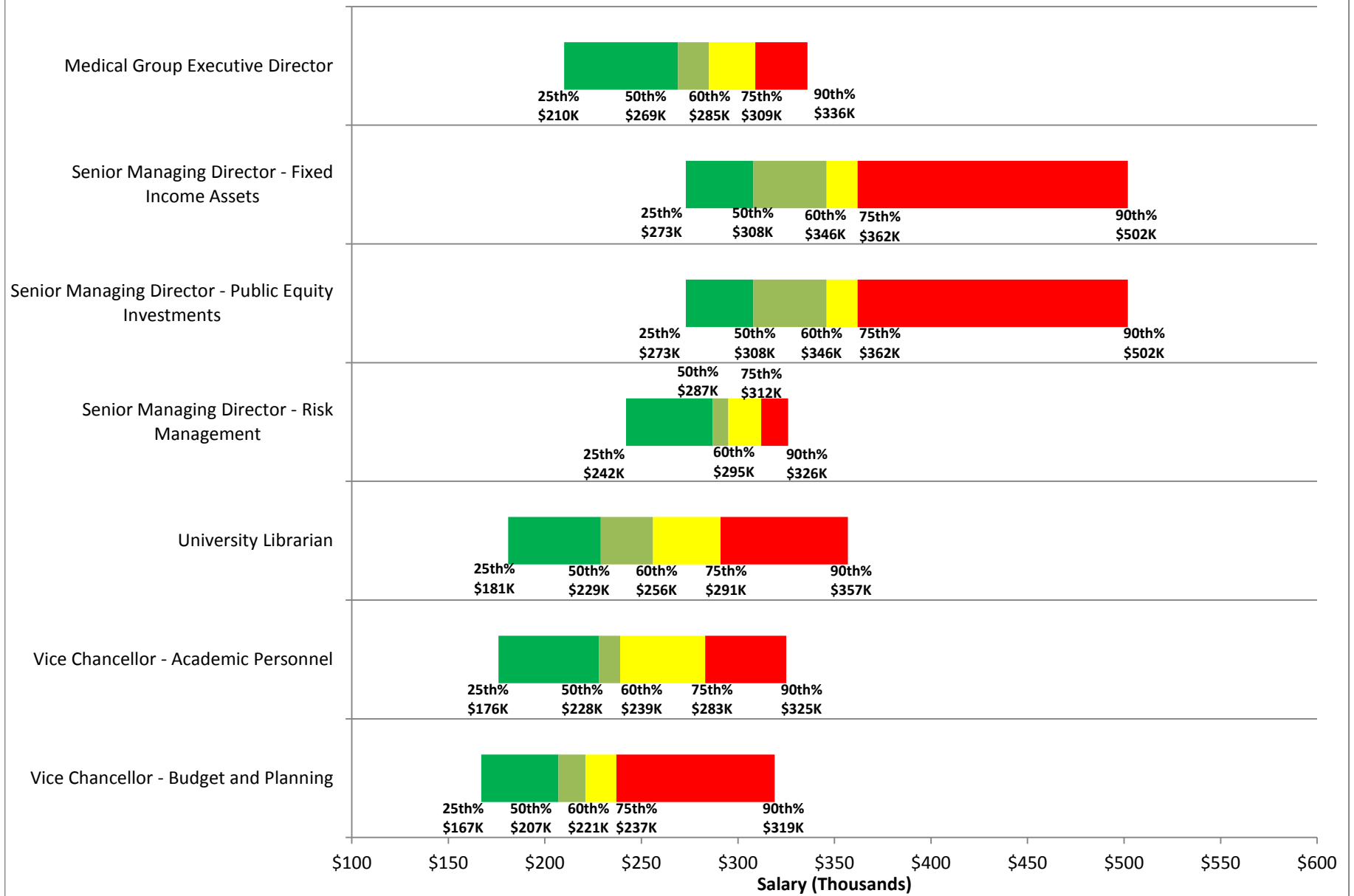
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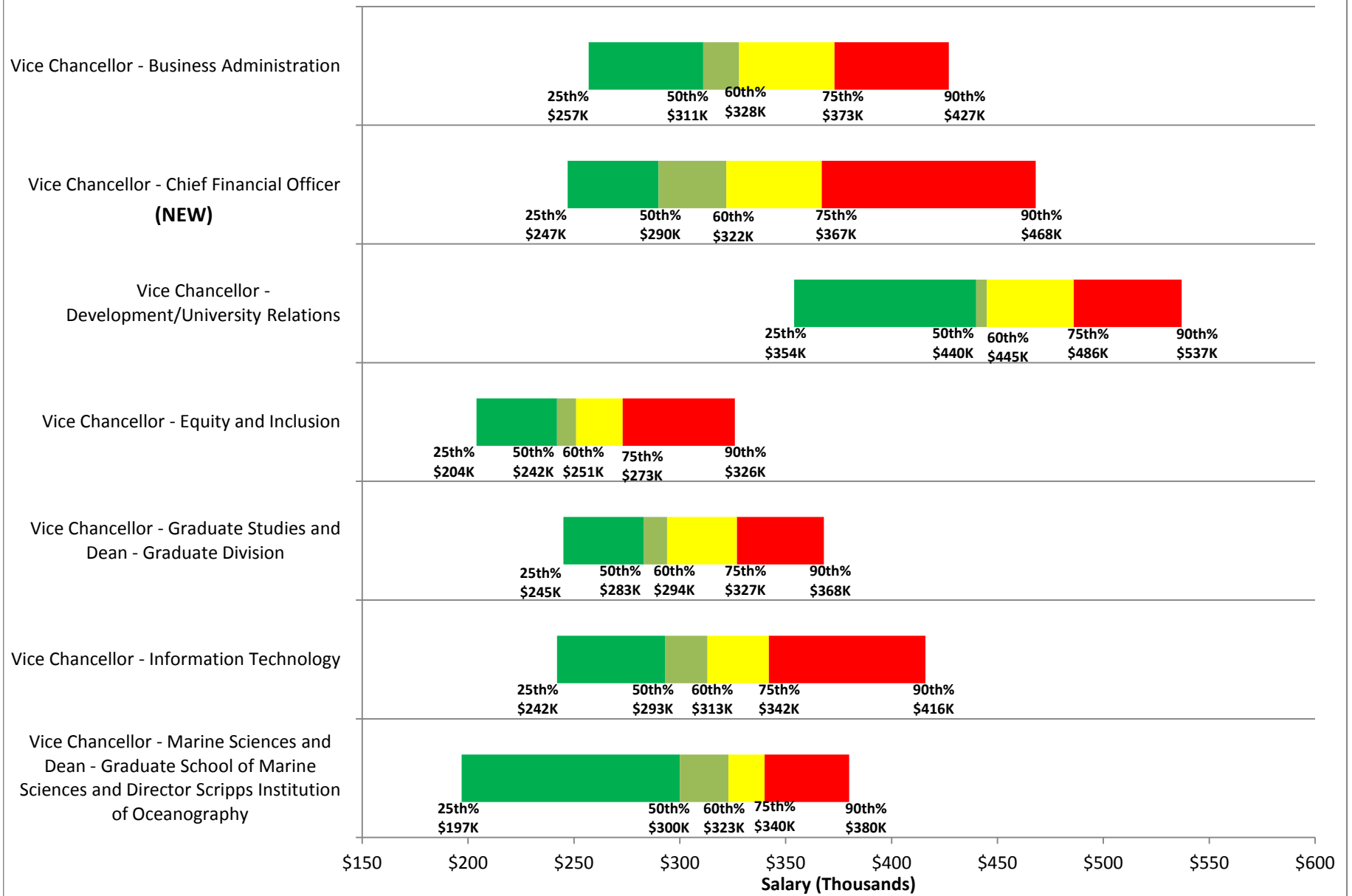
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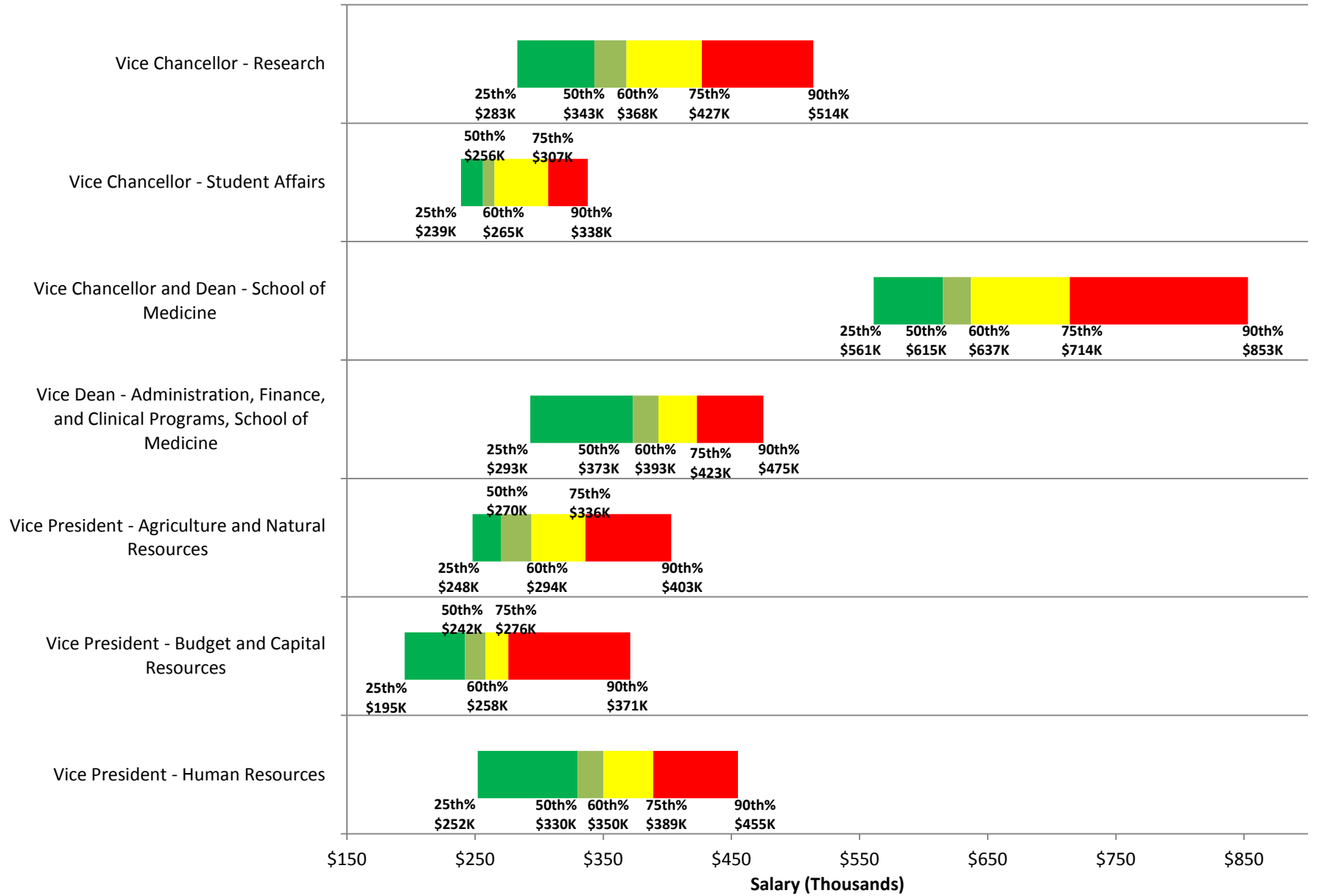
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