

The Regents of the University of California

COMMITTEE ON COMPENSATION

March 20, 2014

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

Members present: Regents De La Peña, Feingold, Kieffer, and Reiss; Ex officio members Lansing, Napolitano, and Varner; Advisory member Gilly

In attendance: Regents Flores, Gould, Island, Makarechian, Newsom, Pattiz, Schultz, Sherman, and Zettel, Regents-designate Engelhorn, Leong Clancy, and Saifuddin, Faculty Representative Jacob, 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 President Stobo, Vice Presidents Andriola, Beckwith, Duckett, Lenz, Mara, and Sakaki, Chancellors Block, Desmond-Hellmann, Drake, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 11:25 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 January 23, 2014 were approved.

2. APPROVAL OF SALARY ADJUSTMENT FOR A. PAUL ALIVISATOS AS LABORATORY DIRECTOR, LAWRENCE BERKELEY NATIONAL LABORATORY AS DISCUSSED IN REGENTS ONLY SESSION

Background to Recommendation

On July 3, 2013, the Lawrence Berkeley National Laboratory (LBNL) received approval from the Department of Energy (DOE) for a salary budget allocation of four percent for fiscal year 2013-14. The allocation includes three percent for merit increases and one percent for adjustments (reclassifications, equity adjustments, and promotions) throughout the year. All merit increases will be made with this allocation of funds.

This was a request for approval of a 2.7 percent merit increase for A. Paul Alivisatos, Laboratory Director, LBNL, effective January 1, 2014. Salary increase recommendations for Level One Senior Management Group (SMG) employees require approval from the Board of Regents, as required by Regents Policy 7701 – Senior Management Group Appointment and Compensation. With the proposed merit increase, Director Alivisatos' base salary will be \$451,010. According to the Market Reference Zone (MRZ) for the

position of Laboratory Director, the proposed base salary is 5.1 percent above the 60th percentile salary of \$429,000 and 1.1 percent below the 75th percentile salary of \$456,000.

As the DOE contractor responsible for managing and operating LBNL, the University of California is obligated by its contract with the DOE to ensure the competitiveness and scientific excellence of LBNL, using the financial resources provided by the DOE. One of the University's contractual obligations is to recruit and retain the best possible scientific and administrative staff to perform the mission assigned by the DOE. This is particularly challenging in the vibrant Bay Area science and technology community, where other National Laboratories and successful technology companies regularly attempt to recruit LBNL employees with offers of significantly greater compensation.

Each year, LBNL must benchmark its levels of compensation against an approved list of comparator institutions. LBNL compensation for all staff is currently 8.6 percent below the market. The DOE expects all of its National Laboratory contractors, including the University of California, to allocate the level of funding for compensation increases that the DOE authorizes on an annual basis. This action by the Regents would fulfill that obligation. Furthermore, this increase will be paid from federal funds that may not be used for other University purposes or reallocated to supplement compensation increases for non-Senior Management Group (SMG) employees at LBNL.

Recommendation

The Committee recommended that the salary increase for A. Paul Alivisatos, Laboratory Director, Lawrence Berkeley National Laboratory, as presented in the table below, be approved.

NAME	JOB TITLE	CURRENT BASE SALARY	PROPOSED MERIT INCREASE AMOUNT	PROPOSED MERIT INCREASE PERCENT	NEW PROPOSED BASE SALARY
A. Paul Alivisatos	Laboratory Director	\$439,153	\$11,857	2.7%	\$451,010

The salary increase for Director Alivisatos will be funded by Lawrence Berkeley National Laboratory with funds provided by the Department of Energy. The proposed effective date of the increase is retroactive to January 1, 2014.

Except as expressly modified by the Regents above, the University's total compensation commitment for Director Alivisatos remains unchanged. 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.

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

3. **APPROVAL OF COMPENSATION FOR HOWARD GILLMAN AS INTERIM CHANCELLOR, IRVINE CAMPUS AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The President of the University recommended the appointment of and compensation for Howard Gillman to serve as Interim Chancellor, Irvine campus. Mr. Gillman will serve until the appointment of a successor to Chancellor Michael Drake, who is leaving on June 27, 2014 to become the President of the Ohio State University.

Mr. Gillman will retain his current responsibilities as Provost and Executive Vice Chancellor while serving as Interim Chancellor until such time as a decision is made to appoint an Interim Provost and Executive Vice Chancellor. Mr. Gillman will continue to receive his current compensation of \$365,296, which is comprised of a base salary of \$356,380 and an annual automobile allowance of \$8,916.

Mr. Gillman's base salary of \$356,380 is 38.9 percent below the 60th percentile (\$583,000) of the Market Reference Zone (MRZ) for the position of Chancellor. In addition, his target cash compensation of \$356,380 is 48.8 percent below the 60th percentile (\$696,000) of the market composite for target cash compensation. The average base salary for the six UC chancellors whose campuses are members of the Association of American Universities (AAU) is \$397,544.

Mr. Gillman became Provost and Executive Vice Chancellor in June 2013. He is recognized as a seasoned university academic leader, a nationally recognized expert on constitutional studies and judicial politics, and an accomplished fundraiser. Mr. Gillman has demonstrated excellence as an administrative leader during his tenure at the Irvine campus, leading several strategic initiatives on innovation, quality, and efficiency.

Prior to joining UC Irvine in 2013, Mr. Gillman was a professor of political science, history and law at the University of Southern California (USC). From 2007 to 2012, he served as Dean of the USC Dana and David Dornsife College of Letters, Arts and Sciences. As Dean, he promoted innovation in academic programs; secured external funding; recruited more than 100 new faculty members; made diversity an institutional priority; developed a new funding model for Ph.D. programs; and expanded undergraduate opportunities to conduct research, study overseas, and engage in service

learning. Previously, he served as USC's Associate Vice Provost for Research Advancement and Chair of the Department of Political Science.

Mr. Gillman holds bachelor's, master's and doctoral degrees in political science from UCLA.

Recommendation

The Committee recommended that, contingent upon and effective with Howard Gillman's appointment by the Regents as Interim Chancellor of the Irvine campus, the following items be approved in connection with that appointment:

- A. Per policy, continued annual base salary of \$356,380 for the duration of the interim appointment.
- B. Per policy, continued eligibility to receive an annual automobile allowance of \$8,916.
- C. Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all applicable program requirements.
- D. Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.
- E. Per policy, continued participation in standard pension and health and welfare benefits (including senior management life insurance and executive salary continuation for disability).
- F. Per policy, continued accrual of sabbatical credits as a member of tenured faculty.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: on or about June 30, 2014

Base Salary: \$356,380

Target Cash Compensation:* \$356,380

Funding: partially or fully State-funded

Budget &/or Prior Incumbent Data

Title: Chancellor

Base Salary: \$392,200

Target Cash Compensation:* \$392,200

Funding: partially or fully State-funded

*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend. For participants in the Health Sciences Compensation Plan (HSCP), Target Cash Compensation also includes HSCP payments.

COMPETITIVE ANALYSIS FOR CHANCELLOR

MARKET REFERENCE ZONE FOR BASE SALARY						MARKET COMPOSITE FOR TARGET CASH COMPENSATION				
Percentiles	25 th	50 th	60 th	75 th	90 th	25 th	50 th	60 th	75 th	90 th
Market Data	\$380K	\$508K	\$583K	\$695K	\$876K	\$374K	\$638K	\$696K	\$782K	\$868K
% Difference from Market	-6.2%	-29.8%	-38.9%	-48.7%	-59.3%	-4.7%	-44.1%	-48.8%	-54.4%	-58.9%

Survey Source: College and University Professional Association (CUPA) Survey and Mercer Chancellor Compensation Survey

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.

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

4. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR ANNE L. SHAW AS INTERIM SECRETARY AND CHIEF OF STAFF TO THE REGENTS AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

The Chairman of the Board of Regents recommended the appointment of and compensation for Anne L. Shaw to serve as Interim Secretary and Chief of Staff to the Regents. Ms. Shaw's appointment will be effective on the day following the retirement of Marsha Kelman, which is anticipated to occur on March 31, 2014 and continue until the appointment of a new Secretary and Chief of Staff to The Regents.

Ms. Shaw will retain her current responsibilities as Associate Secretary of The Regents while serving as Interim Secretary and Chief of Staff to The Regents. It was recommended that Ms. Shaw receive an annual base salary of \$219,000 in the interim position. This is a temporary 28 percent increase over her current base salary of \$170,100. The proposed base salary is at the 25th percentile of the Market Reference Zone for the position of Secretary and Chief of Staff to The Regents. The proposed base salary is 25.8 percent below that of the current incumbent; Ms. Kelman's base salary is \$295,000, which is close to the 50th percentile of the Market Reference Zone.

Ms. Shaw joined the Office of the Secretary in 1983. She was promoted to Associate Secretary to The Regents in 1996. She previously served as Acting Secretary of The Regents from June 2006 to April 2007. As the Interim Secretary and Chief of Staff to The Regents, Ms. Shaw will serve as the primary liaison between the Regents and the University administration, working directly with the Chairman of the Board of Regents and the President of the University in execution of Board-related projects, initiatives, and mandates. These responsibilities include coordinating all aspects of Board meetings, substantive research and analysis, and overseeing the planning, preparation, support, and review for all projects. In addition, the Secretary and Chief of Staff to The Regents is the custodian of certain official corporate records of the University, is responsible for planning and staffing all Board meetings and its Committee meetings, executes or attests to certain documents that have been executed on behalf of the Regents, provides direct administrative support to the members of the Board of Regents, prepares minutes of the Regents meetings, and is the custodian of Regental and other corporate records.

Ms. Shaw holds bachelor's and master's degrees in political science from the University of Nevada and a master's degree of library and information science from UC Berkeley.

Recommendation

The Committee recommended that Anne L. Shaw be appointed as Interim Secretary and Chief of Staff to The Regents, at 100 percent time effective on or about April 1, 2014 and continuing until a new Secretary and Chief of Staff to The Regents is appointed, and that the following items be approved in connection with that appointment:

- A. Per policy, an annual base salary of \$219,000 for the duration of the interim appointment.
- B. Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy.
- C. Per policy, continued participation in standard pension and health and welfare benefits.

COMPARATIVE ANALYSIS**Recommended Compensation****Effective Date:** on or about April 1, 2014**Base Salary:** \$219,000**Target Cash Compensation*:** \$219,000**Funding:** partially or fully State-funded**Budget &/or Prior Incumbent Data****Title:** Secretary and Chief of Staff to The Regents**Base Salary:** \$295,000**Target Cash Compensation*:** \$295,000**Funding:** partially or fully State-funded

*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend. For participants in the Health Sciences Compensation Plan (HSCP), Target Cash Compensation also includes HSCP payments.

COMPETITIVE ANALYSIS FOR SECRETARY AND CHIEF OF STAFF TO THE REGENTS

MARKET REFERENCE ZONE FOR BASE SALARY						MARKET COMPOSITE FOR TARGET CASH COMPENSATION				
Percentiles	25 th	50 th	60 th	75 th	90 th	25 th	50 th	60 th	75 th	90 th
Market Data	\$219K	\$303K	\$328K	\$366K	\$430K	\$282K	\$364K	\$414K	\$464K	\$628K
% Difference from Market	0%	-27.7%	-33.2%	-40.2%	-49.1%	-22.3%	-39.8%	-47.1%	-52.8%	-65.1%

Survey Source: Towers Watson General Industry Executive Compensation Survey and College and University Professional Association (CUPA) Survey. CUPA only reports base salary.

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: Chairman Varner
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.

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

5. **APPROVAL OF INDIVIDUAL COMPENSATION ACTIONS AS DISCUSSED IN CLOSED SESSION**

A. *Salary Adjustments for Horst D. Simon as Deputy Laboratory Director and Jay D. Keasling as Associate Laboratory Director, Lawrence Berkeley National Laboratory*

Background to Recommendation

On July 3, 2013, the Lawrence Berkeley National Laboratory (LBNL) received approval from the Department of Energy (DOE) for a salary budget allocation of four percent for fiscal year 2013-14. The allocation includes three percent for merit increases and one percent for adjustments (reclassifications, equity adjustments, and promotions) throughout the year. All merit increases will be made with this allocation of funds.

This was a request for approval for salary increases for Horst D. Simon, Deputy Laboratory Director, LBNL, and Jay D. Keasling, Associate Laboratory Director, LBNL, effective January 1, 2014. With the proposed salary increases, the base salaries of Mr. Simon and Mr. Keasling will exceed the 75th percentile of the Market Reference Zone (MRZ) for their positions. Salary increase recommendations for Level Two Senior Management Group (SMG) employees whose proposed base salaries are at or above the 75th percentile of their respective MRZs require approval from the Board of Regents, as required by Regents Policy 7701 – Senior Management Group Appointment and Compensation.

In addition to a 2.5 percent merit increase for Mr. Simon and a three percent merit increase for Mr. Keasling, approval was sought for a 2.5 percent increase for Mr. Simon for retention purposes. The proposed base salary of \$392,043 for Mr. Simon is 22.1 percent above the 60th percentile of the position's MRZ (\$321,000) and 5.4 percent above the 75th percentile of the position's MRZ (\$372,000). The proposed base salary of \$376,152 for Mr. Keasling is 17.2 percent above the 60th percentile of the position's MRZ (\$321,000) and 1.1 percent above the 75th percentile of the position's MRZ (\$372,000).

As the DOE contractor responsible for managing and operating LBNL, the University of California is obligated by its contract with the DOE to ensure the competitiveness and scientific excellence of LBNL, using the financial resources provided by the DOE. One of the University's contractual obligations is to recruit and retain the best possible scientific and administrative staff to perform the mission assigned by the DOE. This is particularly challenging in the vibrant Bay Area science and technology community, where other National Laboratories and

successful technology companies regularly attempt to recruit LBNL employees with offers of significantly greater compensation.

Each year, LBNL must benchmark its levels of compensation against an approved list of comparator institutions. LBNL compensation for all staff is currently 8.6 percent below the market. The DOE expects all of its National Laboratory contractors, including the University of California, to allocate the level of funding for compensation increases that the DOE authorizes on an annual basis. This action by the Regents would fulfill that obligation. Furthermore, these increases will be paid from federal funds that may not be used for other University purposes or reallocated to supplement compensation increases for non-SMG employees at LBNL.

Recommendation

The Committee recommended that salary increases for Horst D. Simon, Deputy Laboratory Director, and Jay D. Keasling, Associate Laboratory Director, Lawrence Berkeley National Laboratory, as presented in the table below, be approved.

NAME	JOB TITLE	CURRENT BASE SALARY	PROPOSED MERIT INCREASE AMOUNT	PROPOSED MERIT INCREASE PERCENT	ADDITIONAL PROPOSED INCREASE AMOUNT	ADDITIONAL PROPOSED INCREASE PERCENT	NEW PROPOSED BASE SALARY
Horst D. Simon	Deputy Laboratory Director	\$373,152	\$9,329	2.5%	\$9,562	2.5%	\$392,043
Jay D. Keasling	Associate Laboratory Director	\$365,196	\$10,956	3.0%	\$0	0%	\$376,152

The salary increases for Mr. Simon and Mr. Keasling will be funded by Lawrence Berkeley National Laboratory with funds provided by the Department of Energy. The proposed effective date of the increases is retroactive to January 1, 2014.

Except as expressly modified by the Regents above, the University's total compensation commitment for Mr. Simon and Mr. Keasling remains unchanged. 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: Laboratory Director Alvisatos
Reviewed by: President Napolitano
 Committee on Compensation Chair Kieffer
 Office of the President, Human Resources

B. ***Amendment of Contract Compensation for Adrian Klemm, Assistant Football Coach, Intercollegiate Athletics, Los Angeles Campus***

Background to Recommendation

This item requested approval of the amendment of the existing contract compensation for Adrian Klemm, Assistant Football Coach, Intercollegiate Athletics, Los Angeles campus, to become effective April 1, 2014 and continue through June 30, 2016. The term of Coach Klemm's current contract (which includes amendments made in March 2013) is July 1, 2013, through June 30, 2015. This position will be funded with athletic department revenues and private fundraising; no State funds will be used.

Coach Klemm is a very talented recruiter and essential to the team's success. He was responsible for bringing together one of the nation's top offensive-line groups in 2013 and was named by Rivals.com as one of the nation's top 25 recruiters. The UCLA team finished 6-3 in the Pac-12 Conference and 10-3 overall in the 2013 football season. The team also participated in and won the Hyundai Sun Bowl in December 2013.

Recently, Coach Klemm was approached by a local institution with an offer far in excess of his current compensation. In order to retain him, UCLA extended a counteroffer which Coach Klemm accepted, the details of which are presented here for Regents' approval.

The campus sought approval to increase Coach Klemm's current annual guaranteed compensation from \$340,000 to \$650,000. Annual guaranteed compensation consists of base salary and talent fee. Coach Klemm's current annual base salary of \$250,000 would not change. However, the current talent fee of \$90,000 would be increased to \$400,000 per year effective April 1, 2014, and remain at that rate through June 30, 2015 (actual talent fee from April 1, 2014 through June 30, 2014 will be \$100,000, which is prorated at the \$400,000 annual rate). The proposed annual guaranteed compensation of \$650,000 (base salary of \$250,000 and talent fee of \$400,000 for the period of April 1, 2014 through March 31, 2015) represents an increase of 91.2 percent in annual guaranteed compensation during the first 12 months of the contract. Regental approval is required for this increase because it exceeds the 30 percent increase allowed under the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (September 2008 Parameters). For the contract period from July 1, 2015 through June 30, 2016, Coach Klemm's talent fee would be increased by \$100,000 to \$500,000, thereby bringing his annual guaranteed compensation to \$750,000.

Finally, under Coach Klemm's current contract, he would be eligible to receive a contingent retention bonus in the amount of \$40,000, payable upon completion of the fiscal year 2013-14 football season. The amendment to the contract deletes

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.

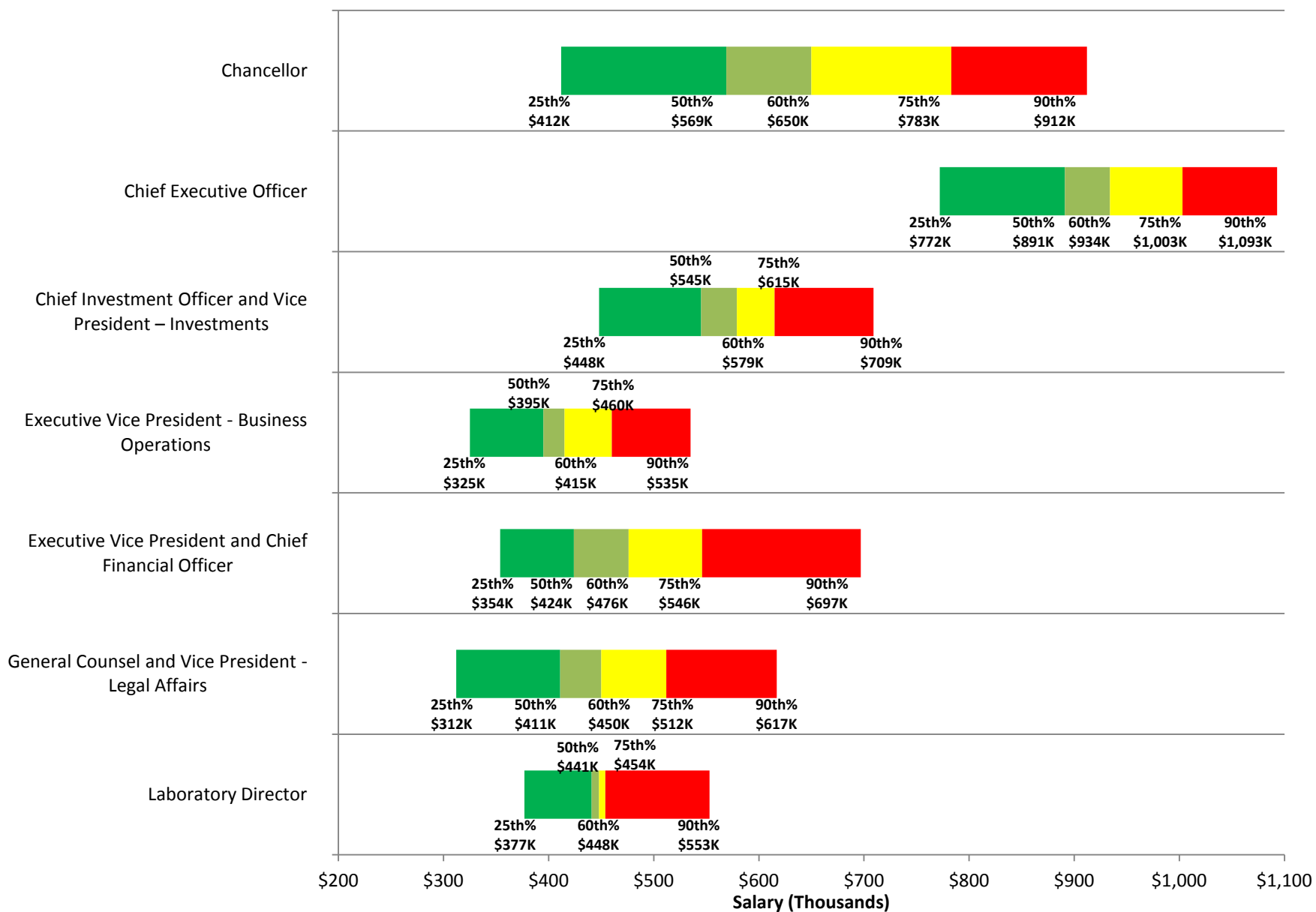
Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 11:45 a.m.

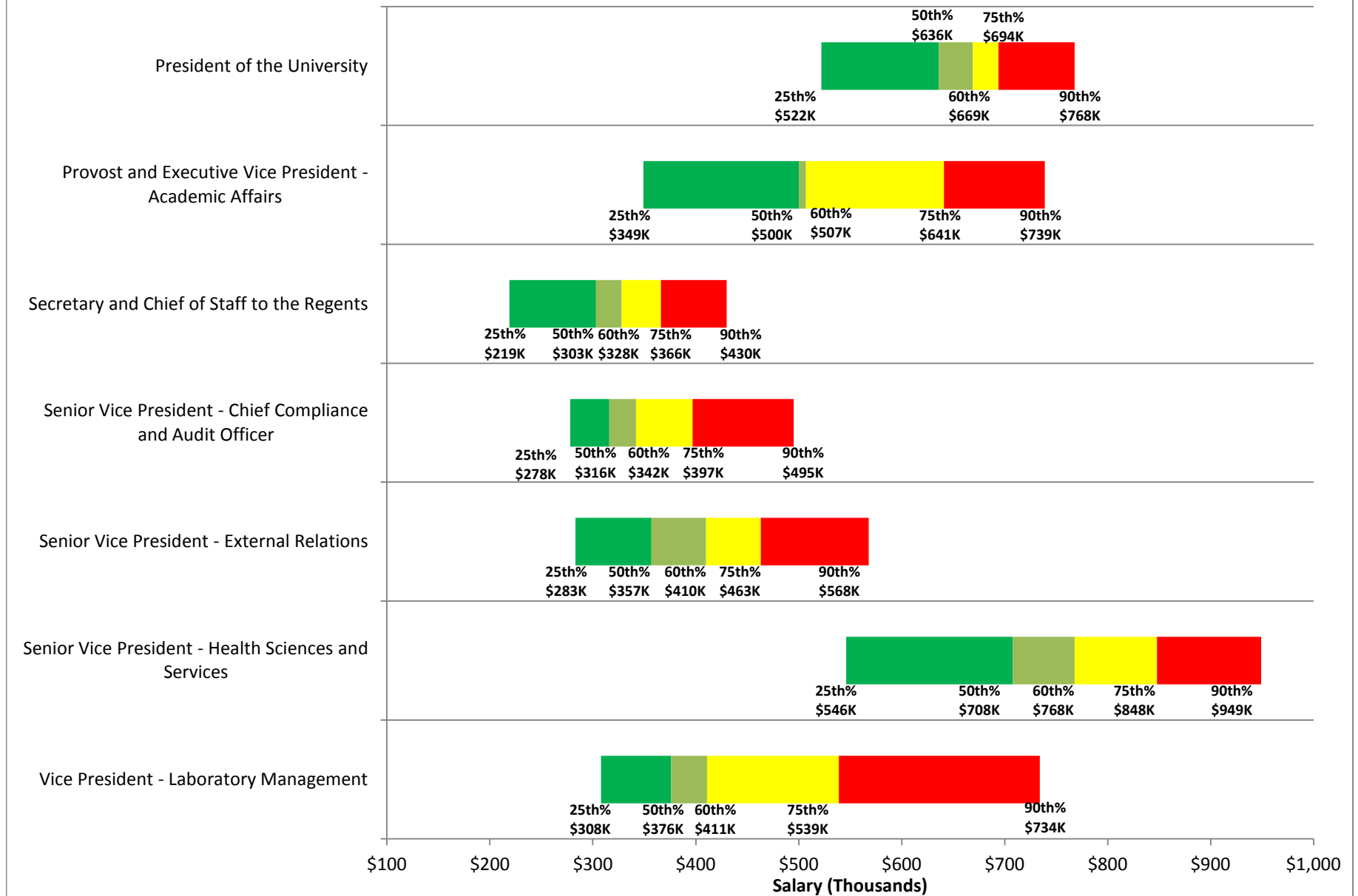
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Secretary and Chief of Staff

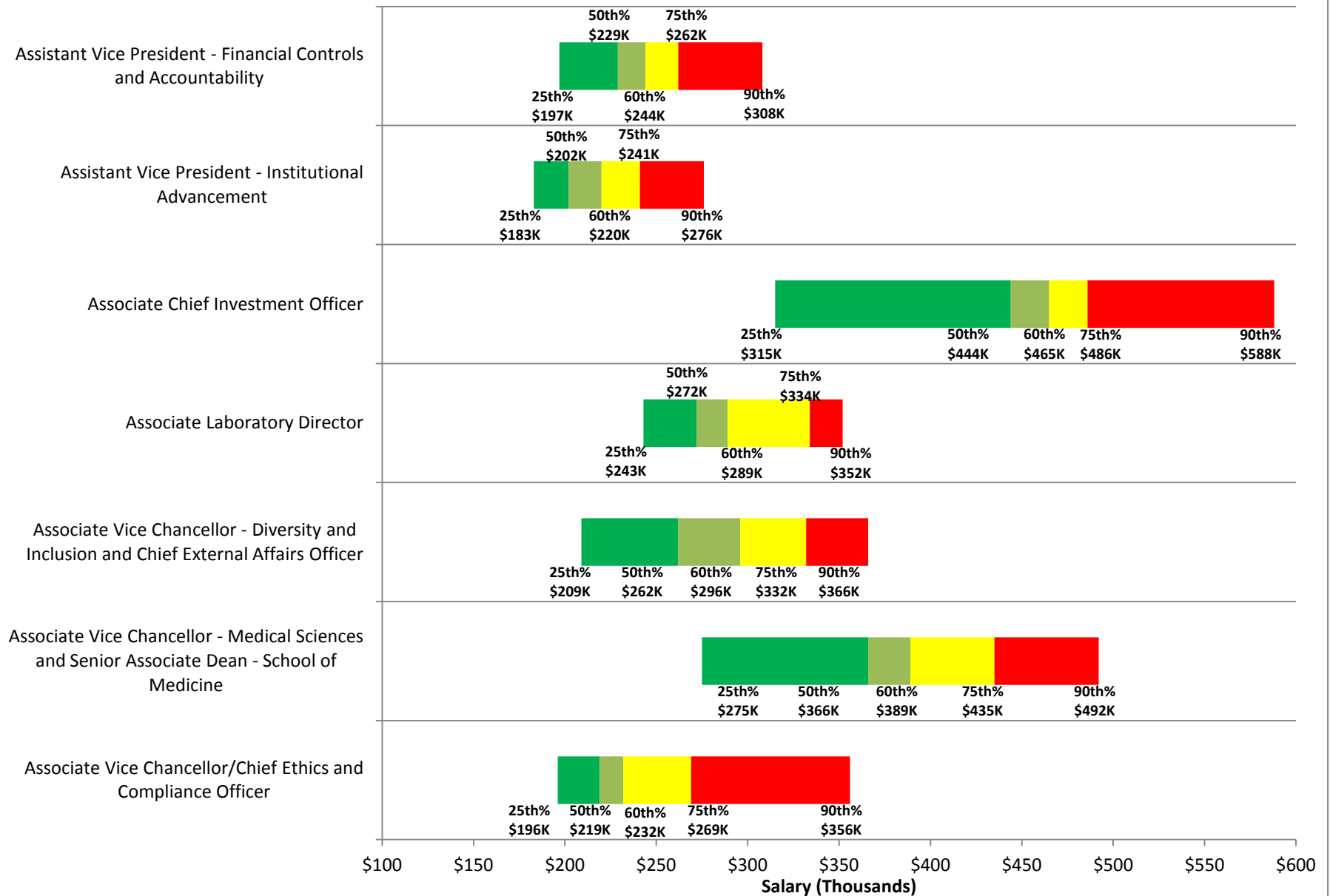
SMG Level One Market Reference Zones



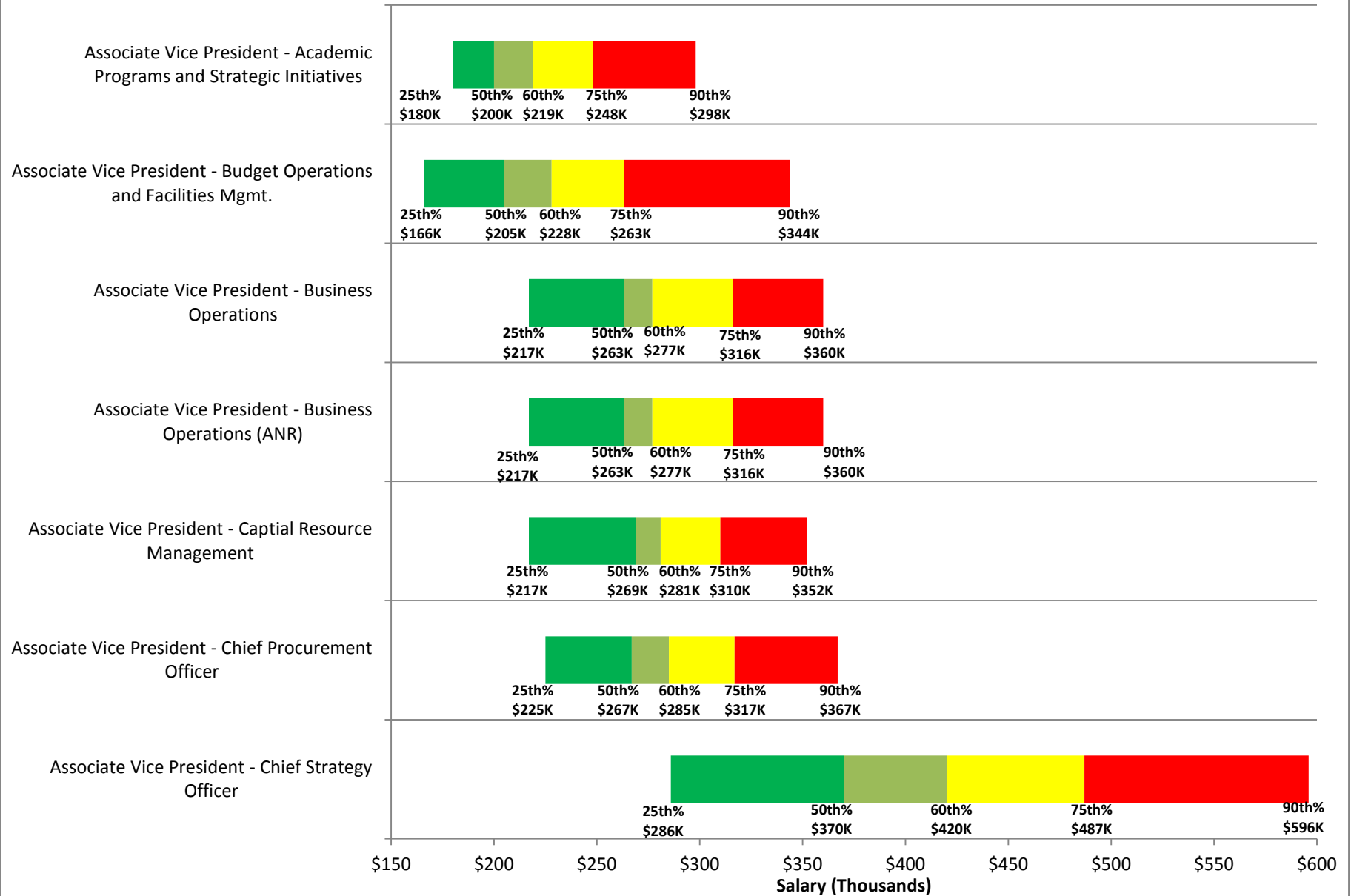
SMG Level One Market Reference Zones



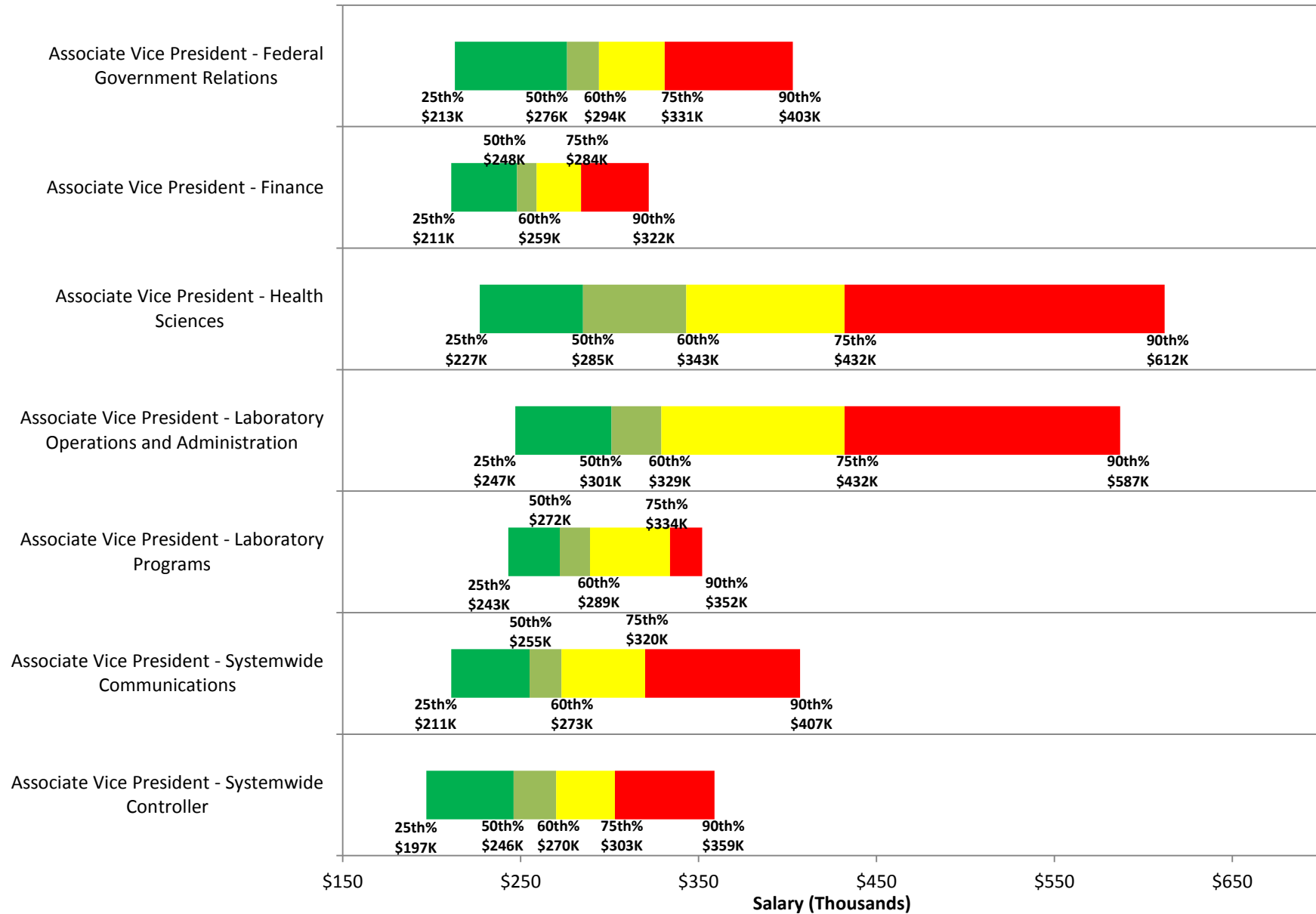
SMG Level Two Market Reference Zones



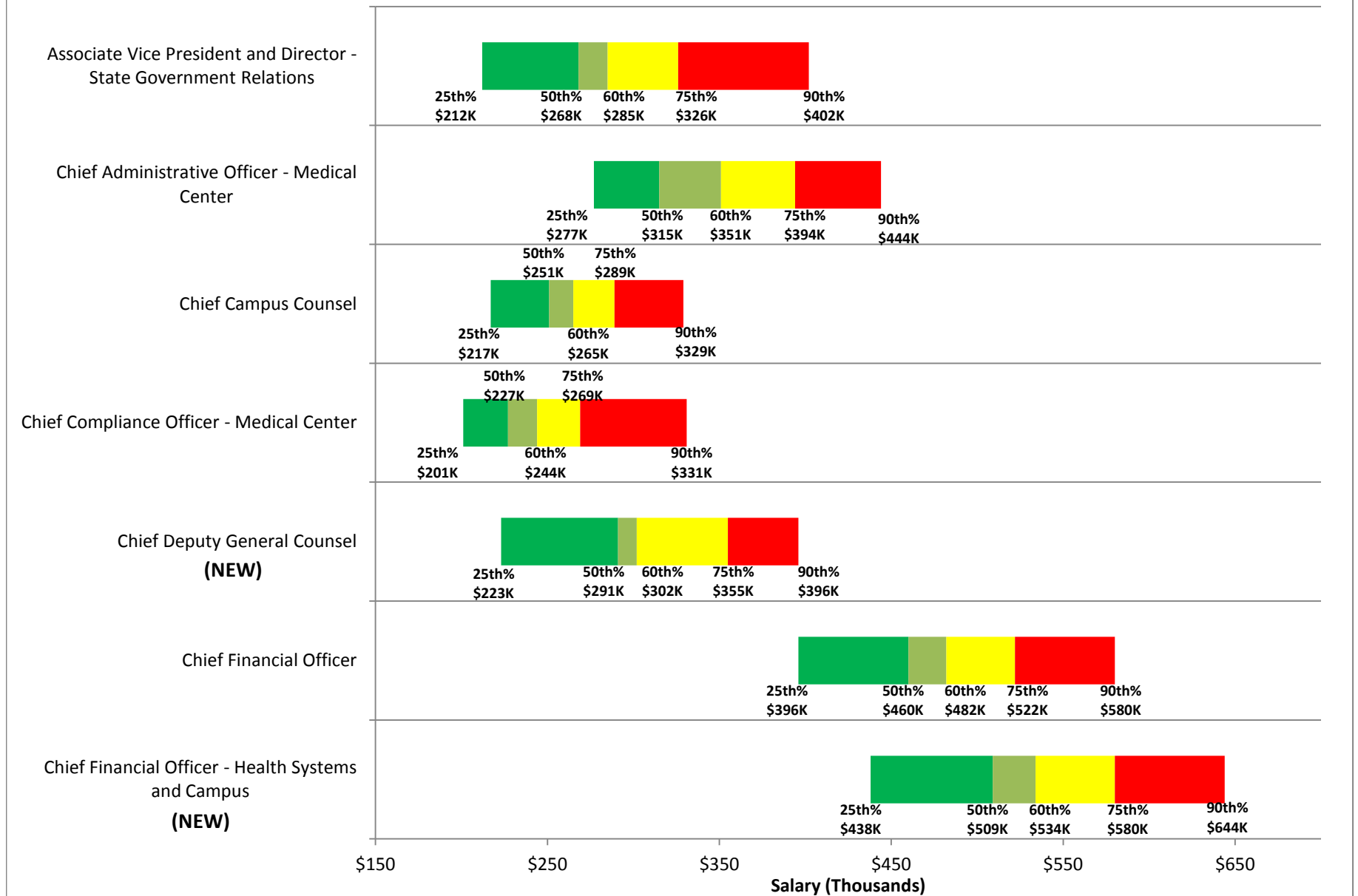
SMG Level Two Market Reference Zones



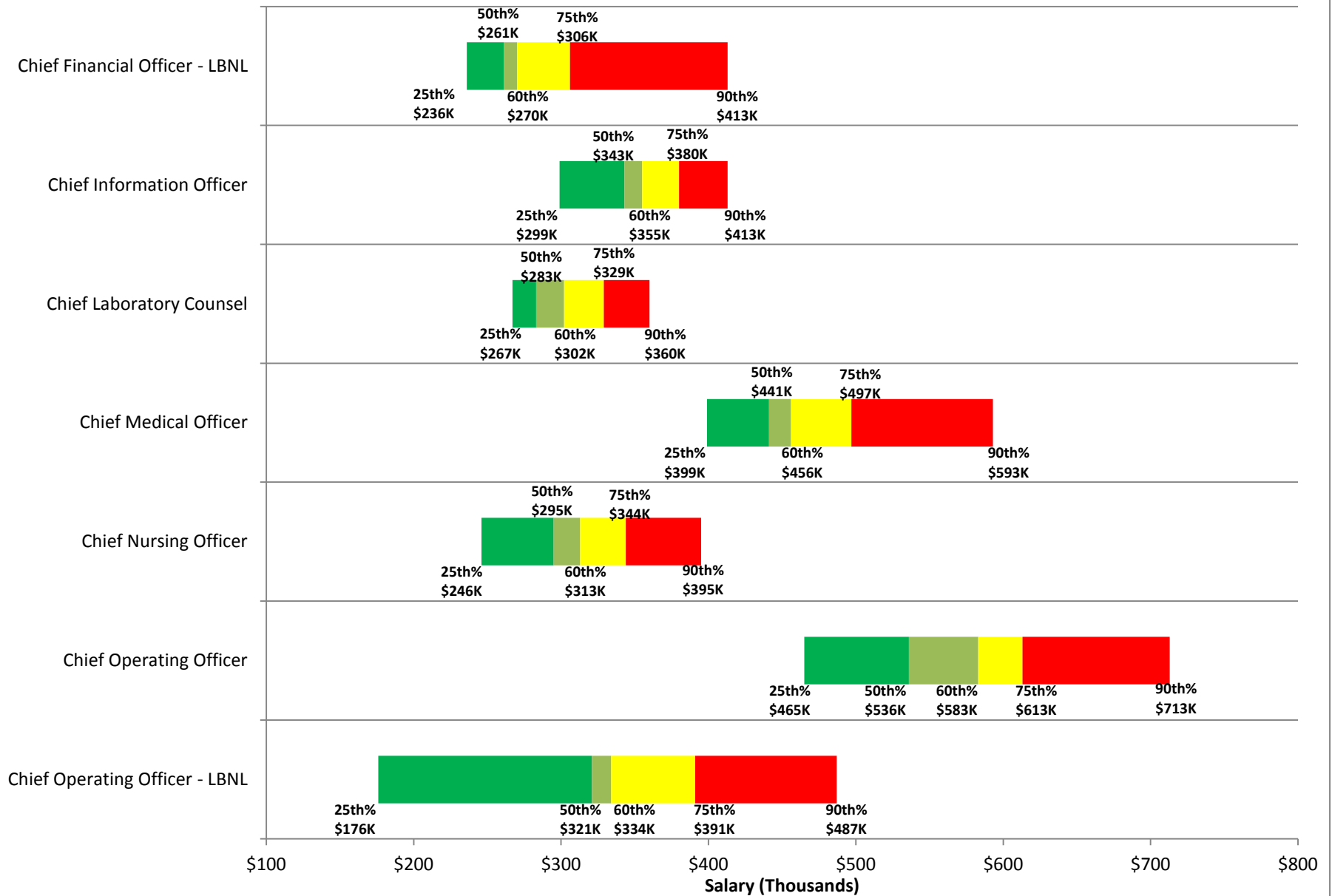
SMG Level Two Market Reference Zones



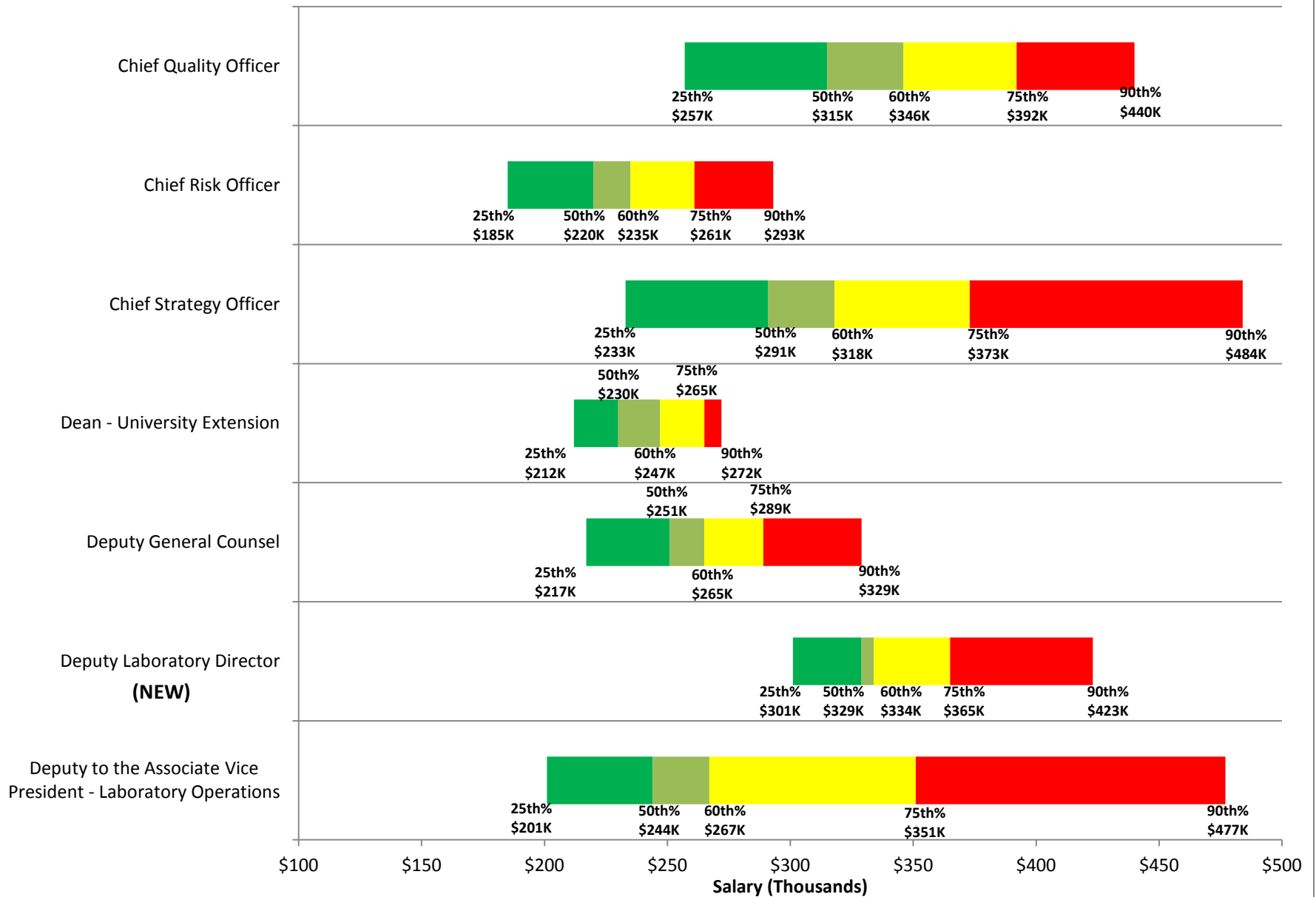
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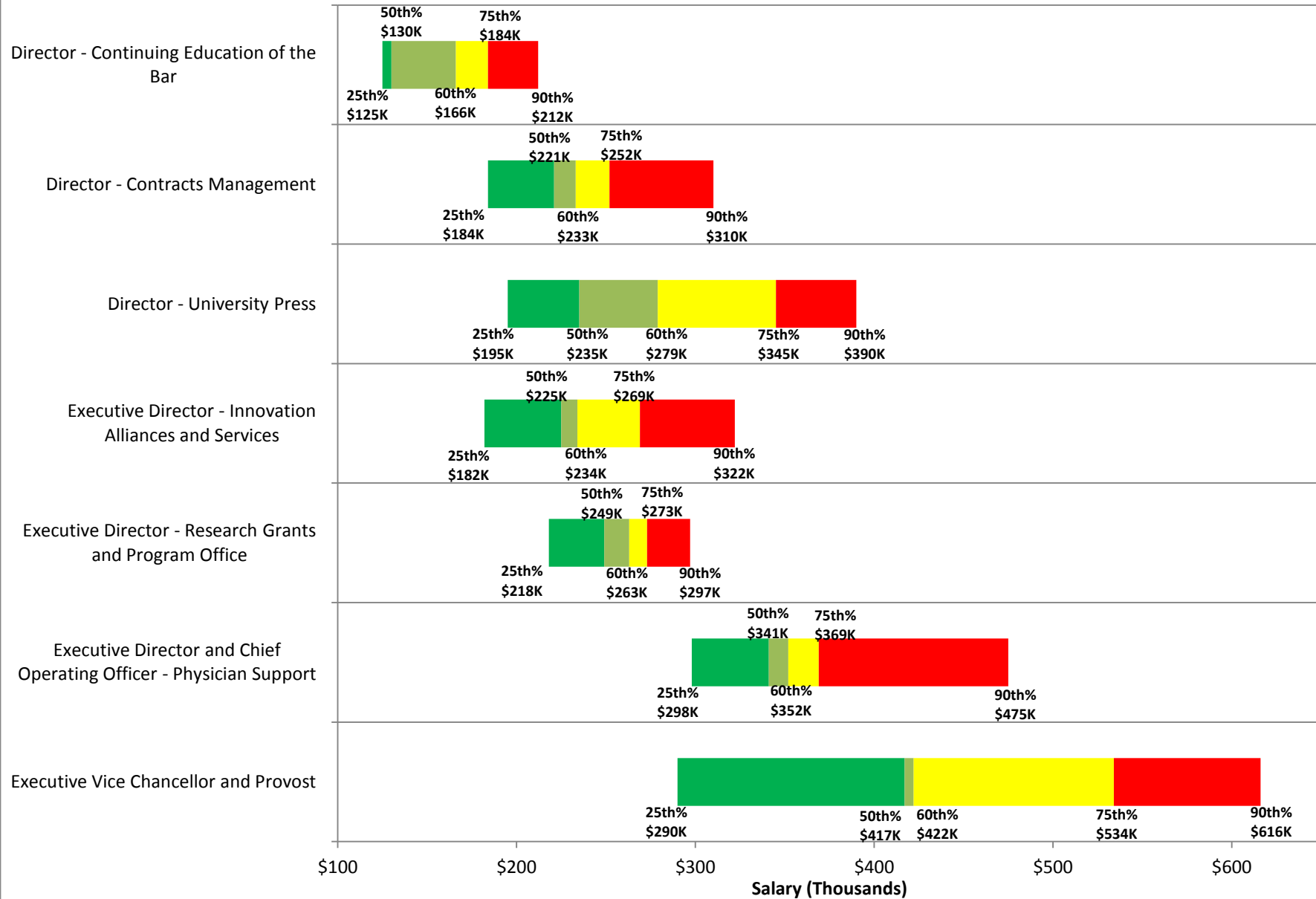
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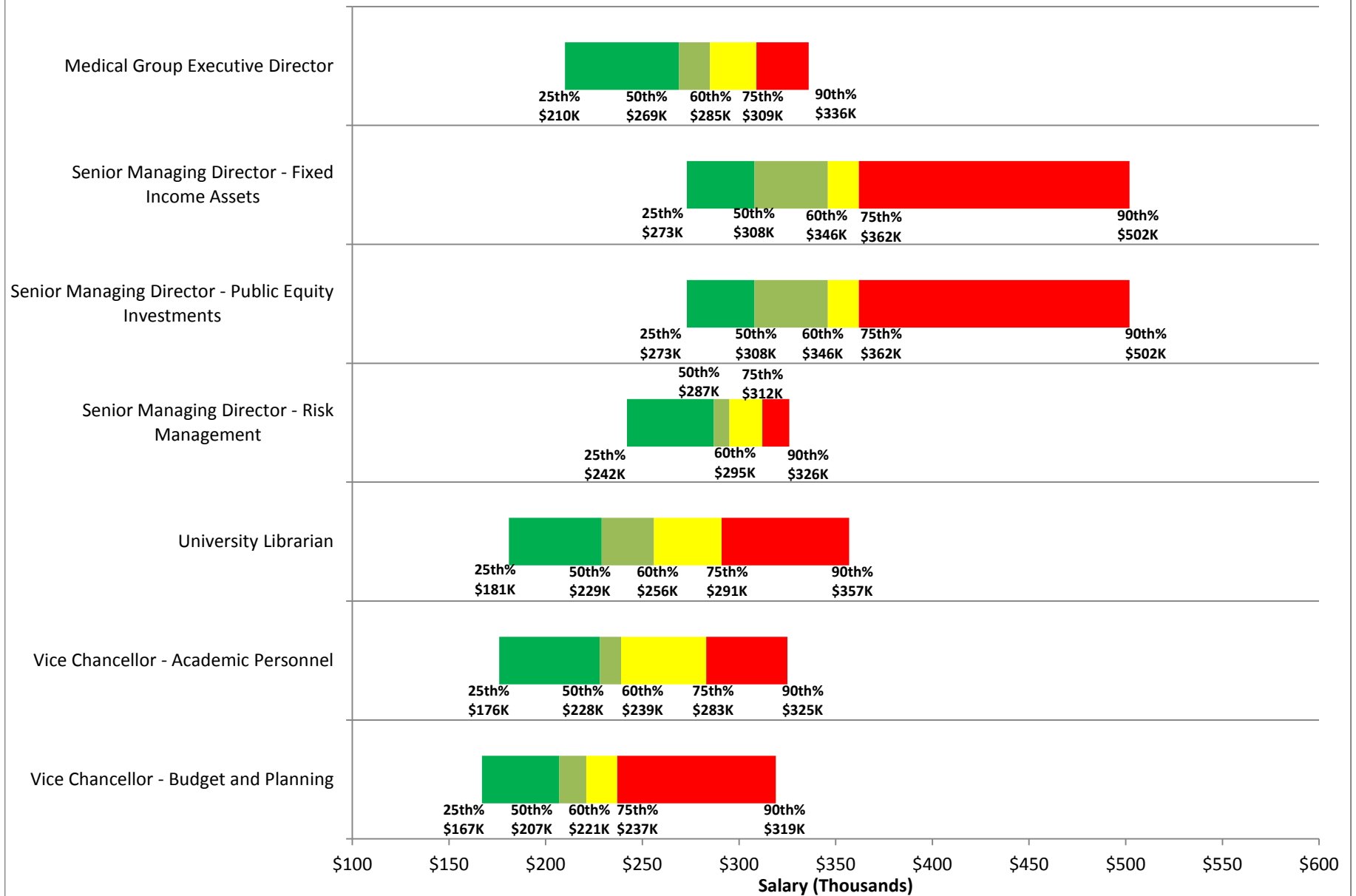
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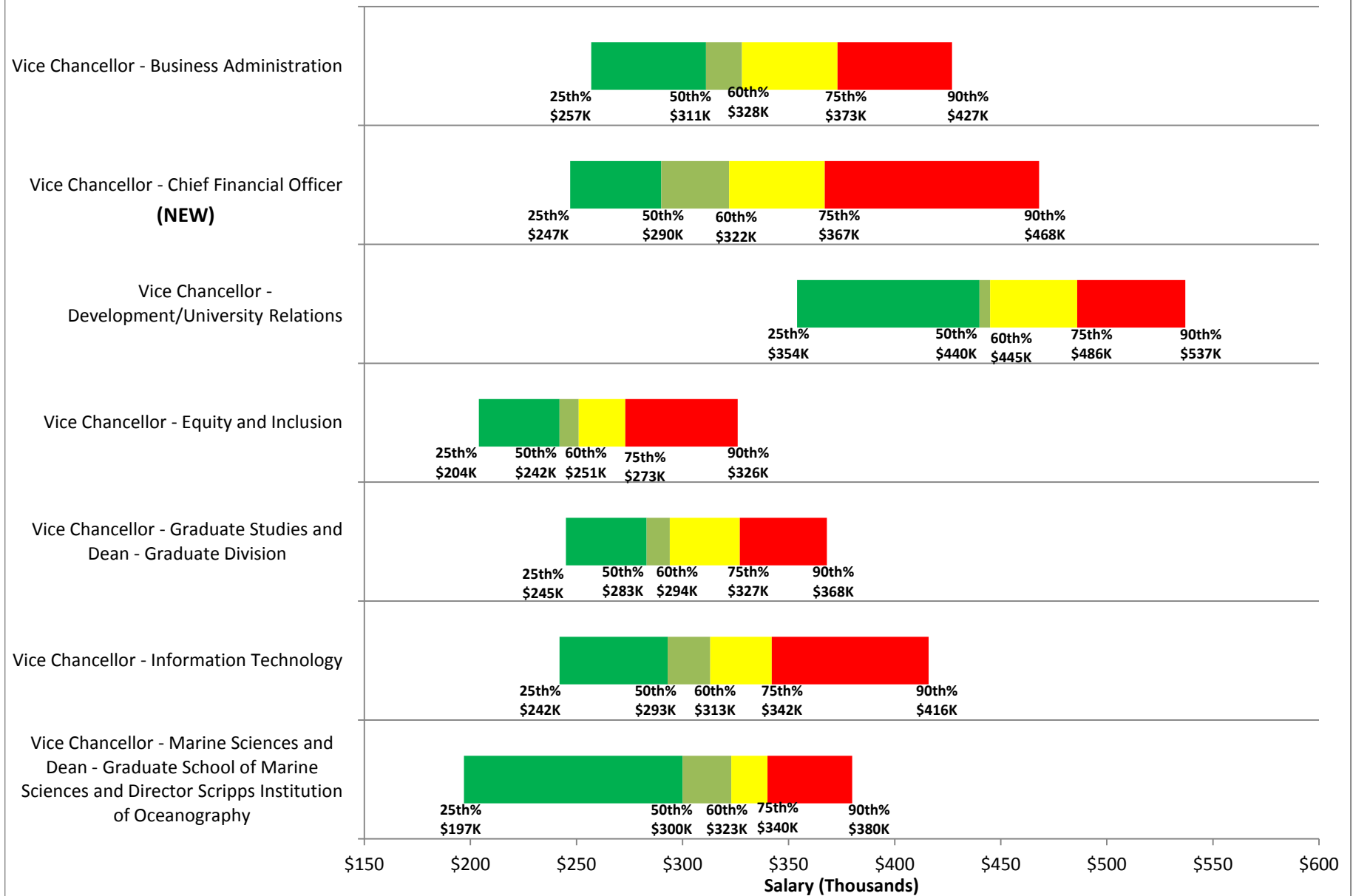
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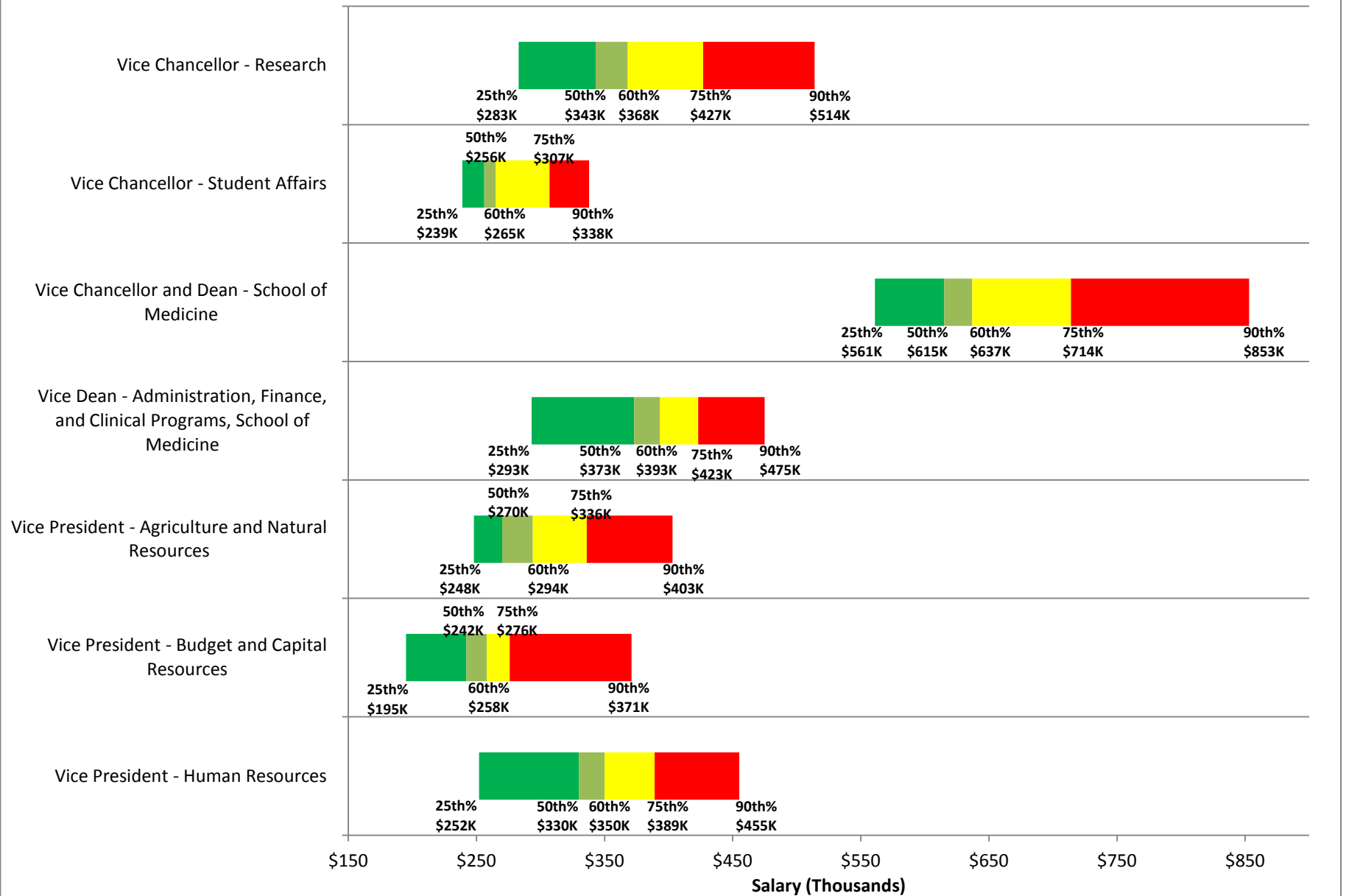
SMG Level Two Market Reference Zones



SMG Level Two Market Reference Zones



SMG Level Two Market Reference Zones



SMG Level Two Market Reference Zones

