The Regents of the University of California

COMMITTEE ON COMPENSATION
January 22, 2015

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

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

In attendance: Regents De La Peña, Elliott, Engelhorn, Island, Lansing, Leong Clancy, Makarechian, Newsom, Pérez, Ruiz, and Zettel, Regent-designate Oved, Faculty Representative Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Senior Vice President Stobo, Vice Presidents Brown, Duckett, and Sakaki, Chancellors Block, Blumenthal, Gillman, Hawgood, Katehi, Leland, Wilcox, and Yang, and Recording Secretary Johns

The meeting convened at 10:30 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 November 20, 2014 were approved.

2. **APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR RACHAEL NAVA AS EXECUTIVE VICE PRESIDENT – CHIEF OPERATING OFFICER, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

<u>Background to Recommendation</u>

The President of the University recommended approval for the appointment of and compensation for Rachael Nava as Executive Vice President – Chief Operating Officer (EVP – COO), Office of the President, effective upon approval. Following a search, Ms. Nava has been selected as the top candidate for the position of Executive Vice President – Chief Operating Officer. She will provide management and leadership to the following departments: Human Resources, Information Technology Services, the UCPath Center, Energy and Sustainability, Program Management, and Administrative Services for the Office of the President. This is an existing position, formerly held by Nathan Brostrom, and is currently defined in the University's Market Reference Zones methodology.

The office of the EVP – COO is responsible for leading the way in transforming the operations of the University to achieve maximum efficiency and effectiveness. In the Energy and Sustainability area, Ms. Nava will support the President's global climate initiative to achieve carbon neutrality by 2025. This requires the continuing development of innovative and creative energy solutions such as UC's recent purchase of solar energy, the largest by any U.S. higher education institution, and the recent transition to a wholesale power program. She will also support the continued development and implementation of the UCPath Center as a model for providing UC systemwide operational services. In Human Resources, she will advance progress made in managing health care and retirement benefit programs, and in Information Technology Services she will work with the campuses and medical centers to leverage technology advances in areas such as precision medicine and cloud computing. As the Chief Operating Officer of the Office of the President, Ms. Nava will also complete the transition of departments supporting the staff of the Office of the President to the new Administrative Services structure, and the transition of existing project offices into the Program Management Office.

This critical role provides management of an operating budget of approximately $100 million and oversees a staff of 500, including seven direct reports.

Ms. Nava, a seasoned executive, is the Chief Operating Officer for Central California Alliance for Health, an $800 million public nonprofit managed-care health plan serving 290,000 Medi-Cal members in Santa Cruz, Monterey and Merced Counties. Ms. Nava joined the Alliance in 2004 and is responsible for overseeing provider services, member services, claims, analytics, and technology services, business development, compliance, and regional operations.

Ms. Nava has significant experience in the public sector working with government entities, lawmakers, and the community. Prior to joining the Alliance, she directed the Healthy Kids of Santa Cruz County program designed to provide health insurance to all of the uninsured children in the county. From 2000 to 2004, Ms. Nava was the Associate Executive Director of Dientes Community Dental Care, a federally qualified health clinic. From 1997 to 2000, she worked in the biotechnology sector in the area of cancer and AIDS research.

Based on the scope and complexity of duties and Ms. Nava's qualifications, consistent with Regents Policy 7701, the President proposed a starting base salary of $330,000 for the first year. Ms. Nava's salary will increase to $350,000 in year two, and $370,000 in year three, on condition of Ms. Nava's satisfactory performance. The Market Reference Zone (MRZ) for this position is as follows: 25th percentile – $325,000, 50th percentile – $395,000, 60th percentile – $415,000, 75th percentile – $460,000, 90th percentile – $535,000. The appointment salary of $330,000 is 17.5 percent below the former incumbent's salary of $400,000.

The position of EVP – COO will continue to be partially State-funded.

Recommendation

The Committee recommended approval of the following items in connection with the appointment of and compensation for Rachael Nava as Executive Vice President – Chief Operating Officer, Office of the President:

A. Per policy, appointment of Rachael Nava as Executive Vice President – Chief Operating Officer, Office of the President at 100 percent time, effective February 9, 2015.

B. Per policy, an annual base salary in year one of $330,000, increasing to $350,000 in year two and $370,000 in year three, on condition of satisfactory performance.

C. Per policy, a monthly contribution to the Senior Management Supplemental Benefit Program.

D. Per policy, annual automobile allowance of $8,916.

E. Per policy, reimbursement of actual and reasonable expenses associated with moving Ms. Nava's household goods and personal effects from her former primary residence to her new primary residence, subject to the limitations under policy.

F. Per policy, reimbursement for up to two house-hunting trips for Ms. Nava and her spouse or partner to secure housing in the San Francisco Bay Area, subject to the limitations under policy.

G. Per policy, eligible to participate in the UC Home Loan Program, subject to all applicable program requirements.

H. Per policy, standard pension and health and welfare 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 requested that President Napolitano provide an overview of the three appointments that were being proposed for the Office of the President.

President Napolitano explained that in restructuring the Office of the President, the administration had examined the real business needs of managing UC. The Chief Financial Officer division would oversee budget and capital planning. The Chief Operating Officer division would oversee Information Technology, Human Resources, and back office functions necessary for smooth and efficient functioning. A search had identified Rachael Nava as an individual highly qualified to carry out the Chief Operating Officer responsibilities. The other two positions, outlined in the following two items, were a result of restructuring and examination of the work that had been done by former Senior Vice President Dooley and former Vice President Lenz. Their work has been divided into external affairs, to supervise marketing, alumni relations, and media relations, and government relations, which concerns the University's State and federal relations. Federal funding in grants and other awards amounts to about $5 billion annually. The administration believes that UC can increase its federal agency practice and this amount of funding. Two individuals had been identified for these positions, Julie Henderson to head external relations, and Nelson Peacock for government relations. All three of these appointments would report to President Napolitano and their combined salaries would be less than the salaries of those they would replace. Their duties would be different from those of their predecessors, with a different scope. Compensation is always a sensitive issue, particularly when UC is experiencing budget pressures. The Office of the President is always seeking to reduce costs in its overall operation.

Committee Chair Kieffer briefly introduced the item for Ms. Nava as Executive Vice President – Chief Operating Officer. Executive Director Dennis Larsen outlined elements of the proposed compensation, noting that the appointment salary is consistent with Regents Policy 7701: Senior Management Group Appointment and Compensation. Ms. Nava's salary would be managed within the existing Market Reference Zone (MRZ) for the former Executive Vice President – Business Operations, whose salary was $400,000.

Regent Elliott expressed his concern about the pay being offered to some UC employees given that this is a context of public service and these are public servants. He welcomed the willingness of the Board to reexamine the comparator data used to determine salaries, and to expand these data to include public sector positions. At a time when the Regents have discussions about increasing student fees and seeking more funding from the State, they cannot ignore the fact that UC would be paying substantial salaries to these employees. To fail to consider these various actions in the same context would be unfair to the citizens of the State.

President Napolitano recalled that there had been 71 senior managers at the Office of the President in 2010; there were currently 60. Total compensation in 2010 at the Senior Management Group level was over $24 million; it was now about $18 million. The Office of the President had reduced FTE by over 400 in last five years, to about

1,600 today. She stated that she could provide a briefing at a future meeting in more detail about these employees and the work they perform on behalf of the UC enterprise.

Regent Saifuddin stated that students were unhappy about the current state of affairs and that she could not support the proposed action.

Regent Makarechian stated his view that the University would get what it pays for. The individuals being proposed for appointment would take over areas that are very difficult to manage. The University might lose much more money by hiring the wrong person at a lower salary. The Regents should examine not only the proposed salary, but how much money the individual would save the University.

Regent Reiss outlined what she saw as differences between being an employee of the State versus the University. Students want affordability and excellence, and the Regents are constantly trying to maintain both. Private universities could offer these individuals much higher salaries for comparable jobs. In order to maintain excellence, it was important that UC be able to offer competitive salaries for faculty, chancellors, and top administrative positions.

Regent Pérez stated his wish to support President Napolitano in assembling a senior leadership team that would best serve the University and underscored that he had no concerns about the quality of the candidates in question. While the proposed salary levels might be appropriate, the criteria used to arrive at those levels were flawed. Comparator salary data should be broader. The University might still end up identifying the same candidates and the same levels of compensation, but describe those compensation levels as being at a higher percentile. The University should not seek to pay the lowest salary for a skilled individual, but should have a more holistic view of relevant skill sets.

Committee Chair Kieffer noted that based on the Committee's discussion the previous day, the Regents have asked Human Resources staff to incorporate State employee salaries for MRZ criteria. These data would become part of the analysis.

Regent Pérez referred to the question of public trust. He argued that impediments should not be put in the way of the University attracting the best talent. The materials presented to the Regents were not the best argument in favor of the proposed compensation.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regent Saifuddin voting "no."

3. **APPROVAL OF ESTABLISHMENT OF THE NEW SENIOR MANAGEMENT GROUP POSITION OF SENIOR VICE PRESIDENT – GOVERNMENT RELATIONS, AND THE MARKET REFERENCE ZONE FOR THE POSITION AND APPOINTMENT OF AND COMPENSATION FOR NELSON PEACOCK AS SENIOR VICE PRESIDENT – GOVERNMENT RELATIONS, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

This new position was created out of the elimination of two Senior Management Group positions – the Senior Vice President – External Relations and the Vice President – Budget and Capital Resources – and redistributing those responsibilities to this position and the new Senior Vice President – Public Affairs. The combined effect is an overall savings of approximately $100,000 as a result of these changes.

Following the departure of the Senior Vice President – External Relations, the President of the University is restructuring the External Relations division in the Office of the President into two divisions reporting to the President. One division will focus on public affairs, communications and stakeholder relations, and the other will focus on government relations. The new structure is intended to maximize the University's external engagement and communications efforts, to advocate for State and federal support, and to gain legislative backing for major initiatives and priorities.

The President recommended the establishment of a new Senior Management Group position of Senior Vice President – Government Relations, Office of the President. The President also recommended approval for the appointment of and compensation for Nelson Peacock as Senior Vice President – Government Relations, Office of the President. In this role, Mr. Peacock will lead all of the University's government relations activities at all levels of government. He will direct efforts to enhance collaboration on these activities across the campuses, medical centers, and National Laboratories.

Mr. Peacock was appointed as Senior Advisor to President Napolitano in September 2014. Mr. Peacock brings strong executive management skills, comprehensive legal training, and nearly two decades of experience working within complex organizations. He has a proven track record of establishing productive working relationships with senior officials and identifying and implementing solutions to address complex issues.

Mr. Peacock's last position before joining the University was that of Vice President, Cornerstone Government Affairs, in Chevy Chase, Maryland, where he served since May 2013. In that role, he provided support to higher education clients with interests in federal education policy and funding opportunities. He also served as an unpaid consultant to the Bill, Hillary and Chelsea Clinton Foundation to assist former President Bill Clinton with logistical, political, and media support on domestic and international trips.

Prior to joining Cornerstone, Mr. Peacock served as the Assistant Secretary for Legislative Affairs for the Department of Homeland Security. Appointed by President Obama, he coordinated the legislative activity for the 240,000-person, $60 billion department. Over the course of five years, Mr. Peacock prepared the Secretary for more than 50 Congressional hearings and managed a legislative team that conducted over 600 hearings and 3,000 briefings on issues related to cyber security, natural disasters, immigration, and national security.

Prior to his Homeland Security appointment, Mr. Peacock served on the transition team for the incoming administration of President Barack Obama. There he assisted in a top-to-bottom review of the Department of Homeland Security and assisted in the confirmation process for the Secretary of Homeland Security. Mr. Peacock also served as the Senior Counsel for then-Senator Joseph R. Biden, Jr. on the Senate Judiciary Committee. For five years, Mr. Peacock advised the Senator on homeland security, crime, and intellectual property issues. Mr. Peacock played a key role in developing and passing into law the PROTECT Our Children Act of 2008, signed by President Bush on October 13, 2008. Mr. Peacock was appointed by President Clinton to the Department of Justice where he assisted in the development of civil and criminal justice policies, with an emphasis on coordinating with public interest groups, elected officials, and law enforcement officials.

The President of the University recommended approval for establishing the position of Senior Vice President – Government Relations, 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 – $263,000, 50th percentile – $313,000, 60th percentile – $352,000, 75th percentile – $387,000, 90th percentile – $461,000.

Consistent with Regents Policy 7701: Senior Management Group Appointment and Compensation, and based on the scope and complexity of duties, current market data, and the exceptional qualifications of Mr. Peacock, the President requested no change to Mr. Peacock's current compensation of $280,000, which is 20.5 percent below the 60th percentile of the proposed MRZ.

Funding for this position will come partially from State funds.

<u>Recommendation</u>

The Committee recommended approval of the following items in connection with the establishment of the new Senior Management Group position of Senior Vice President – Government Relations, Office of the President, and the Market Reference Zone for the position, and for the appointment of and compensation for Nelson Peacock as Senior Vice President – Government Relations, Office of the President:

A. Establishment of the new Senior Management Group position of Senior Vice President – Government Relations, 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 Vice President – Government Relations position as follows: 25th percentile – $263,000, 50th percentile – $313,000, 60th percentile – $352,000, 75th percentile – $387,000, 90th percentile – $461,000.

C. Appointment of Nelson Peacock as Senior Vice President – Government Relations, Office of the President, at 100 percent time.

D. Per policy, continued annual base salary of $280,000.

E. Per policy, a monthly contribution to the Senior Management Supplemental Benefit program.

F. Per policy, annual automobile allowance of $8,916.

G. Per policy, eligibility to participate in the UC Home Loan Program, subject to all program requirements.

H. 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).

I. Per policy, Mr. Peacock received a cash relocation allowance as a condition of his employment with the University and to assist with his relocation from Maryland when he first joined the University in September 2014. He will continue to be eligible to receive the remaining balance of installments: $20,000 in 2015; $20,000 in 2016; and the final installment of $10,000 in 2017. Any unpaid relocation allowance amounts will be forfeited at the time of separation.

J. 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. Executive Director Dennis Larsen outlined elements of the proposed compensation, noting that there would be no increase to Nelson Peacock's current salary.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regent Saifuddin voting "no."

4. **APPROVAL OF ESTABLISHMENT OF THE NEW SENIOR MANAGEMENT GROUP POSITION OF SENIOR VICE PRESIDENT – PUBLIC AFFAIRS, AND THE MARKET REFERENCE ZONE FOR THE POSITION AND APPOINTMENT OF AND COMPENSATION FOR JULIE HENDERSON AS SENIOR VICE PRESIDENT – PUBLIC AFFAIRS, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

This new position was created out of the elimination of two Senior Management Group positions – the Senior Vice President – External Relations and the Vice President – Budget and Capital Resources – and redistributing those responsibilities to this position and the new Senior Vice President – Government Relations. The combined effect is an overall savings of approximately $100,000 as a result of these changes.

Following the departure of the Senior Vice President – External Relations, the President of the University is restructuring the External Relations division in the Office of the President into two divisions reporting to the President. One division will focus on public affairs, communications and stakeholder relations, and the other will focus on government relations. The new structure is intended to maximize the University's external engagement and communications efforts, to advocate for State and federal support, and to gain legislative support for major initiatives and priorities.

The President recommended the establishment of a new Senior Management Group position of Senior Vice President – Public Affairs, Office of the President. The President also recommended approval for the appointment of and compensation for Julie Henderson as Senior Vice President – Public Affairs, Office of the President. In the new role, Ms. Henderson will spearhead the efforts to provide news and other information to external and internal audiences across a range of different types of media channels, in order to increase understanding of the University's work, the opportunities it provides, and its contributions to the State and local communities, as well as to foster support for the University. She will also lead undertakings to enhance philanthropy and relations with alumni in her new role, both of which are critical elements of the University's long-range financial plan.

Julie Henderson joined the University of California in February 2013 when she was appointed as Chief of Staff and Senior Policy Advisor to Dan Dooley, Senior Vice President – External Relations. In this role, Ms. Henderson has been responsible for providing leadership and helping to manage the department in external relations and communications and for representing the University with several internal and external constituencies. She has also provided strategic direction to the University's efforts to execute its communications approach across all types of media, including print, broadcast, online, and social.

In her role as Senior Policy Advisor, Ms. Henderson has been responsible for supporting the development and implementation of several major policy initiatives. Recent examples of Ms. Henderson's contribution include her leadership role with the UC-Mexico Initiative, including leading the University's engagement with the Governor's Office for his Higher Education Working Group/Mexico Trade Mission. Ms. Henderson also played a key role in developing and launching the President's Research Catalyst Awards Program, a project designed to support and expand multi-campus research by faculty at all levels of experience. She also played a leader role in the creation and implementation of the President's Innovation Council and the President's Business Executive Council, efforts to improve outreach to and input from senior leaders in innovation, technology, and entrepreneurship.

Ms. Henderson brings a unique set of skills and background to this position. Before joining the University, Ms. Henderson served for two years as one of five senior advisors to Governor Brown with responsibility for developing and promoting policy objectives in the areas of education, health and human services, and public pensions. She also acted as the Governor's primary liaison to State agency secretaries and other government policymakers.

Ms. Henderson also served as Special Assistant Attorney General, reporting to then-Attorney General Brown, providing legal and policy advice and acting as primary liaison to Deputy Attorneys General on issues including consumer protection, pension abuses, conflicts of interest, and board governance.

Previously, Ms. Henderson spent 14 years in the legal department at Gap, Inc., most recently as Vice President, Associate General Counsel, Legal Strategy and Business Development, managing the legal team responsible for negotiating international franchise transactions and managing franchise relationships.

The President of the University recommended approval for establishing the position of Senior Vice President – Public Affairs, 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 – $247,000, 50th percentile – $300,000, 60th percentile – $340,000, 75th percentile – $385,000, 90th percentile – $453,000.

Consistent with Regents Policy 7701: Senior Management Group Appointment and Compensation, and based on the scope and complexity of duties, current market data, and the exceptional qualifications of Ms. Henderson, the President proposed an annual base salary of $280,000 for Ms. Henderson, which is 17.6 percent below the 60th percentile of the proposed MRZ and 26.5 percent below the compensation for the former Senior Vice President – External Relations.

Funding for this position will come partially from State funds.

Recommendation

The Committee recommended approval of the following items in connection with the establishment of the new Senior Management Group position of Senior Vice President – Public Affairs, Office of the President, the Market Reference Zone for the position, and the appointment of and compensation for Julie Henderson as Senior Vice President – Public Affairs, Office of the President:

A. Establishment of the new Senior Management Group position of Senior Vice President – Public Affairs, 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 Vice President – Public Affairs position as follows: 25th percentile – $247,000, 50th percentile – $300,000, 60th percentile – $340,000, 75th percentile – $385,000, 90th percentile – $453,000.

C. Appointment of Julie Henderson as Senior Vice President – Public Affairs, Office of the President, at 100 percent time.

D. Per policy, an annual base salary of $280,000.

E. Per policy, a monthly contribution to the Senior Management Supplemental Benefit program.

F. Per policy, eligibility to participate in the UC Home Loan Program, subject to all program requirements.

G. Per policy, automobile allowance of $8,916.

H. 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).

I. 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. Executive Director Dennis Larsen outlined elements of the proposed compensation.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regent Saifuddin voting "no."

Committee Chair Kieffer noted that there had been a good deal of discussion in the Committee's meeting the previous day about including relevant State positions in the comparator data used to determine UC salaries. He praised President Napolitano for saving money through restructuring the Office of the President. The Office had been reduced in both numbers of employees and dollars spent.

5. **APPROVAL OF A FISCAL YEAR 2014-15 MERIT INCREASE FOR A. PAUL ALIVISATOS AS DIRECTOR, LAWRENCE BERKELEY NATIONAL LABORATORY AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

On July 25, 2014, 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 2014-15. 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 three percent merit increase for A. Paul Alivisatos, Laboratory Director, LBNL, effective January 1, 2015. 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 $464,540. According to the Market Reference Zone (MRZ) for the position of Laboratory Director, the proposed base salary is 2.3 percent above the 75th percentile salary of $454,000.

During this past year, Director Alivisatos has continued to advance the University of California's stewardship of LBNL as the premier National Laboratory for world-class basic research, whose cutting-edge user facilities serve tens of thousands of scientists and researchers from a broad range of academic institutions, government agencies, and private sector organizations. Director Alivisatos is a leader in the national science community as well and was elected last year to serve as the Chair of the National Laboratory Directors Council (NLDC) for the Department of Energy. He was also asked to be a candidate in the upcoming election for the President of the American Association for the Advancement of Science, and will appear on the ballot as one of two candidates this autumn.

Director Alivisatos has made significant progress in achieving specific goals in several areas. He has made substantial advances in infrastructure and facilities renewal, with LBNL completing four new research laboratories and user facilities. He has successfully established the Berkeley Laboratory Foundation, a 501(c)(3) organization to develop new funding sources for the Laboratory and recruited its first Director. He has been a staunch champion and national leader in efforts to create a diverse and inclusive workforce within the NLDC and through recruiting excellent diverse candidates for his leadership team. He has made substantial progress in business and operations as well. The Laboratory has successfully re-engineered its financial systems and made significant strides in its safety culture through its “Safety is Elemental” campaign. Director Alivisatos continues to engage proactively with the City of Berkeley, the LBNL Community Advisory Group, Science at the Theater events, and a robust social media campaign that aims to increase enthusiasm for and understanding of the scientific research performed at the Laboratory.

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 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 positions is currently 8.2 percent below the market. The DOE expects all its National Laboratory contractors, including the University of California, to allocate the level of funding for compensation increases that 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 employees at LBNL.

Recommendation

The Committee recommended that a merit increase of three percent for A. Paul Alivisatos, Laboratory Director, Lawrence Berkeley National Laboratory (LBNL), 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	$451,010	$13,530	3.0%	$464,540

The salary increase for Director Alivisatos will be funded by LBNL with funds provided by the Department of Energy. The effective date of the increase is January 1, 2015.

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. Executive Director Dennis Larsen stated that this action was consistent with direction received from the Department of Energy (DOE), and was entirely funded by the DOE.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regent Saifuddin voting "no."

6. **AUTHORIZATION FOR THE PRESIDENT OF THE UNIVERSITY, IN CONSULTATION WITH THE CHAIR OF THE COMMITTEE ON COMPENSATION, TO APPROVE APPOINTMENT AND COMPENSATION ACTIONS FOR EMPLOYEES IN COACH AND OTHER ATHLETIC POSITIONS**

The President of the University recommended to the Regents that they:

A. Rescind the September 2008 *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide.*

B. Authorize the President of the University, in consultation with the Chair of the Committee on Compensation, to approve actions involving the appointment of and/or compensation for employees hired into or retained in coach and other athletic positions when the proposed total cash compensation exceeds the Indexed Compensation Level (ICL).

C. Authorize the President to delegate this authority to the Chancellors consistent with standards set forth in a policy to be developed by the President, provided that the authority so delegated to the Chancellors may not be re-delegated.

[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 explained that there would be a motion to approve this item as originally presented to the Regents, and a motion to amend the item with language that reflected the discussion that had taken place in the Committee on Educational Policy the previous day and the desire to incorporate academic standards in this authorization for the President regarding compensation for coach and other athletic positions.

In order to facilitate discussion of the separate issues raised by this item, the delegation of authority and academic requirements, Committee Chair Kieffer proposed that the Regents have separate discussions of the original item and the proposed amendment.

Regent Lozano moved to approve the item as originally presented.

Regent Reiss moved that the item be amended as follows:

“A. Rescind the September 2008 *Amendment of Regents’ Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide.*

B. Authorize the President of the University, with the approval of the Chair of the Committee on Compensation, to approve actions involving the appointment of and/or compensation for employees hired into or retained in coach and other athletic positions when the proposed total cash compensation exceeds the Indexed Compensation Level (ICL).

C. Authorize the President to delegate this authority to the Chancellors consistent with standards set forth in a policy to be developed by the President with the approval of the Chair of the Committee on Compensation, including which compensation levels are to remain within the authority of the President and the Chair of the Committee on Compensation, provided that the authority so delegated to the Chancellors may not be re-delegated; to provide for timely transparency, decisions by the President and Chair of the Committee on Compensation will be reported at the next Regents meeting.

D. Adopt the recommendations of the December 2014 Report to the President from the Working Group on Coaches/Athletic Directors Compensation and Student-Athlete Academic Performance. The recommendations of the Working Group are explained in greater detail in the full Report, but are summarized as follows:

(1) Require that coaches’ student-athletes meet the National Collegiate Athletic Association (NCAA)-required average Academic Progress Rate (APR) of 930 before the coach can receive any incentive payment, whether based on athletic or academic performance. In addition, the President shall report to the Board on the implementation of this requirement, as it is the intent of the Board to gradually raise the average APR.

(2) Require that coaches and athletic directors be annually evaluated on student-athlete academic performance, team athletic performance, student-athlete conduct, and other appropriate topics.

(3) Provide options for academic performance metrics that campuses may incorporate into coaches' contracts to further tailor contracts based on the particular circumstances of the school and athletic program.

(4) Create an Office of the President-based award program to recognize teams that, under the leadership of their coaches and athletic directors, demonstrate exemplary performance in academics, student conduct, and/or public service.

(5) Institute changes in process and reporting lines. These changes include requiring that the Athletic Director report directly to the Chancellor, in order to improve the governance and accountability of intercollegiate athletics at the University of California."

Regent Reiss drew attention to the change in paragraph B. from "in consultation with the Chair of the Committee on Compensation" to "with the approval of the Chair of the Committee on Compensation"; this was changed to maintain greater responsibility of the Board. Language regarding transparency and reporting had been added in paragraph C. to address concerns expressed by Regent Atkins. Paragraphs D. and (1) to (5) reflected discussion of this issue by the Committee on Educational Policy. Paragraph D. (1) required reporting by the President to the Board and expressed the Board's intention to gradually raise the average Academic Progress Rate (APR) and set a good standard for athletes who come to the University.

Committee Chair Kieffer called for a motion to divide the vote on this item in two: a vote on paragraphs A. to C. of the amended item, and a vote on paragraphs D. and (1) to (5) of the amended item. Regent Lozano moved that the vote be so divided. Committee Chair Kieffer called first for a discussion of paragraphs D. and (1) to (5).

Regent Newsom expressed concern that the reform in this action was modest at best or illusory. The APR is arguably significant as a measurement, but misses the opportunity to address academic achievement and performance. The National Collegiate Athletic Association (NCAA) APR standard of 930 adopted by UC is the lowest NCAA standard, with a graduation rate slightly above 50 percent. The 930 standard was already an NCAA standard for participation in any post-season tournament. The proposed action would amount to almost nothing. The vast majority of athletic contract incentives are conditioned on tournament play. The UCLA basketball program finished second to last in graduation rates in the Pac 12 the previous year. The coach's contract includes a $10,000 incentive for academic achievement, but another section of the contract provides $270,000 in performance bonuses for athletic tournament achievement. The gatekeeper standard established by the NCAA already exists. The proposed action was unnecessary, and it failed to address the disparity in incentives: $10,000 for achieving the minimum

APR, but hundreds of thousands of dollars for athletic achievement. He stated his understanding that direct reporting by athletic directors already existed at UCLA and UC Berkeley. He asked how this action would advance UC principles. Vice President Duckett responded that the 930 standard is a gatekeeper clause, not to add incentives, but to eliminate the possibility of any incentives being paid should academic standards not be met. All incentives are at risk if the 930 standard is not met.

Regent Newsom stressed that no existing contracts would allow a coach to receive an academic achievement bonus if the team had an APR below the 930 threshold. Mr. Duckett confirmed that this was the case.

Regent Newsom emphasized again that this is the same standard set forth by the NCAA, and his understanding that most incentives in UC coaches' contracts are tied to the same considerations set forth in the NCAA's new rulemaking. UCLA Director of Athletics Dan Guerrero responded, first noting that his program has 700 student athletes, who perform as well in academics and athletics as do athletes at any other UC campus and at many other colleges and universities across the country. The issue raised by Regent Newsom is a complicated one. Mr. Guerrero had participated in the Working Group on Coaches/Athletic Directors Compensation and Student-Athlete Academic Performance, and recalled that the Working Group found that criteria and measures such as the APR are not perfect. A slight anomaly can skew these numbers, such as when a student athlete leaves the University early to join the National Basketball Association (NBA). Even in the case of good students who were on track to graduate, the campus loses retention points if these students leave early, and this affects the campus' APR. Mr. Guerrero stated his view that the 930 standard is harder to attain at UC than at other universities. UCLA's numbers reflect good performance by its coaches. It is true that some students fall short academically and that some students transfer out to play professionally before graduating. UCLA's program strives to meet high expectations. Mr. Guerrero warned of a number of possible unintended consequences of a higher APR threshold: student athletes might move toward less rigorous major programs; student athletes might cluster into majors, even majors they are less interested in; coaches might feel pressured, for the sake of retention points, to keep student athletes on a team, even when it is in the students' best interest to transfer for better educational opportunities; coaches might recruit an individual who is a better student, but not a better athlete; UC coaches might have a disadvantage in recruiting if there is a perception that student athletes at UC are forced into majors they do not want to pursue; pressure to succeed can lead to academic fraud; in negotiating contracts with coaches' representatives and agents, UC might be pressured to provide more guaranteed compensation as opposed to bonuses. Mr. Guerrero also remarked that there is a stark difference between how the NCAA considers APR for schools on the semester system versus the quarter system. Schools on the quarter system are disadvantaged in many respects, based on the timing of the NBA draft and when students declare their intention to move to professional sports. The University understands that it must evaluate its coaches using a number of criteria including academic performance. Mr. Guerrero stressed that UC would hold its coaches accountable, that most UC athletic programs perform well, and his view that the 930 standard was sensible.

Regent Newsom criticized the University for setting a low bar and aspirations for its student athletes. Students leave early from every major college sports program in the U.S., not only UC. He asked why the proposed action included APR but no other incentives or no new incentives. He again stressed the disproportionate nature of incentives for academic versus athletic achievement in coaches' contracts, again citing the $10,000 academic incentive versus the $270,000 athletic incentive for the UCLA basketball coach, and expressing skepticism that the University was in fact holding coaches accountable. Mr. Guerrero responded that in contract negotiations, one has to make decisions that are in the best interest of the University. In some cases the University must fight to keep greater amounts as bonuses based on athletic performance rather than included in the guaranteed compensation.

Regent Newsom countered that a $10,000 academic incentive was inadequate, and that existing contracts could be opened. Mr. Guerrero responded that there are other criteria and measures than APR, such as the Graduation Success Rate (GSR) and grade point average. The University favored the APR because this standard can provide a real-time evaluation from year to year, while other criteria lag behind. A new, incoming coach can inherit bad years of the previous coach.

Committee Chair Kieffer asked how coaches' contracts from now on would be different from past contracts. Mr. Guerrero responded that currently, programs can be sanctioned if they fail to meet the NCAA 930 standard, and not eligible for post-season play. Regent Newsom added that coaches then are not eligible for most contract incentives. Mr. Guerrero continued that UC contracts would now have a gatekeeper clause; if coaches fail to meet the 930 standard, they would be ineligible for performance as well as academic incentives. UC Berkeley Interim Director of Athletics H. Michael Williams noted that the APR is important as a real-time measure. In the case of UC Berkeley's football program, the historical four-year APR number is different from its one-year APR number of 969. When UC gives a coach the task of improving student athletes' academic performance, it can use the real-time snapshot provided by the APR.

Regent Island expressed support for the proposed action and confidence in UC standards for its athletic programs.

Regent Pérez stated his view that the standard being proposed was not meaningful and not worthy of the Regents' consideration. The item should be sent back to the Working Group. There was nothing in the proposed action that would increase the likelihood of academic success for individual students.

Regent Lozano expressed concern about the disparity in weighting of incentives for coaches in athletic versus academic performance, and the effectiveness of incentives. Mr. Duckett responded that if academic standards are not achieved, coaches would not be eligible for any incentives.

Regent Leong Clancy spoke of the University's goals in ensuring that its student athletes are well served. She asked that the Regents direct President Napolitano and the Working

Group to develop effective measures to ensure student achievement and that coaches would not receive any incentives if they fail to meet academic targets and their student athletes fail to make sufficient academic progress.

[At this point Governor Brown joined the meeting.]

In response to questions by Regent Reiss and Committee Chair Kieffer, Mr. Duckett confirmed that all incentive compensation would be forfeited if the 930 standard is not met.

Regent Reiss asked if this was the case in current contracts. Mr. Guerrero responded that athletic incentives are not paid to coaches if the 930 standard is not met, regardless of UC policy.

Regent Reiss stressed that the academic incentives were small in comparison to athletic incentives. If the standard remains at 930, larger academic incentives would provide slightly more motivation, but not much more. The proposed action would not make a significant difference, but the University would be making a statement about the importance of academic achievement for its student athletes. She expressed support for the proposed action and asked that the University pay close attention to this issue and that there be future recommendations for other possible academic incentives that would motivate coaches without unintended consequences. The University must do more in this area.

Regent Lansing expressed concern that the University has a bias against sports. Athletic directors should not be burdened with the entire responsibility of ensuring students' academic success. The standards that were set are good. She expressed support for the proposed action.

Regent Island stated that a college degree is not the goal of every athlete at UC. The college experience of an athlete while at UC might be more important than whether or not he or she graduates. The University must be careful not to send a message that athletic ability is not valuable. He cautioned that UC might set excessively high standards.

Regent Pérez maintained that the proposed action would not bring about any positive change or outcome. The standard being set was too low. The University might be looking in the wrong place to effectuate the outcomes it seeks. There might be other points of intervention where the University could improve the quality of education and experience of its student athletes.

Committee Chair Kieffer stated that Regent Pérez's suggestion for examining other ways to support student athletes would be a useful topic for a later discussion.

Regent Newsom stressed that the University's expectations should not be lower for athletes. He emphasized again that the proposed action did not mention many significant issues, such as exceeding mandated sports practice hours.

Governor Brown stated that he was troubled by the spirit of the proposed action. UC should be a leader in society, not a follower. Athletics was an integral part of classical education, together with mathematics, philosophy, rhetoric, and music. Athletics was for all students, and it was not hyper-professionalized as it is today. He cited the Latin aphorism "Mens sana in corpore sano" ("A healthy mind in a healthy body"). Athletics, competition, and ascesis were part of classical education and should be part of the moral and intellectual mission of the University. Low standards, due to monetary factors, distort the fundamental essence of the University and its capacity to be a leader and enjoy and demand widespread support from the people of California.

Committee Chair Kieffer called for a vote to approve paragraphs D. and (1) to (5).

Upon motion duly made and seconded, the Committee approved paragraphs D. and (1) to (5), Regent Brown voting "no."

Committee Chair Kieffer noted that the Committee still had to vote on paragraphs A. to C. of the item. He explained that these paragraphs called for a delegation of authority to the President and to the Chair of the Committee on Compensation to set policies that would determine which compensation levels could be approved by chancellors, and which would require approval of the President and the Chair of the Committee on Compensation.

Regent-designate Davis suggested that the Board retain its role and responsibility for approving compensation for coaches and athletic directors, if this compensation exceeds the parameters in the September 2008 *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide*. He stated that he would have opposed the 2008 amendment, which in his view is not consistent with Board governance principles; the Board reviews the compensation of every other UC employee when compensation exceeds the Indexed Compensation Level. Any new and commendable academic performance standards for coaches can be implemented without the need to diminish the role of the Board as the final check before awarding the most generous compensation packages paid to any public employees in California. He noted that some of these million-dollar packages are paid with monies other than State General Funds. Nevertheless, all monies used to pay public employees are public funds entrusted to the University and for which the administration and the Board have a shared fiduciary responsibility. He stated his view that even more than in the case of UC medical center CEOs, chancellors, and Senior Management Group employees, the Regents' review of extraordinary compensation for coaches is expected and scrutinized by the public, the Legislature, and the Governor as a measure of whether UC is spending money responsibly. Regent-designate Davis referred to background materials provided with this item, which asserted that the President and chancellors are better equipped than the Board to review the decision-making of those engaged in contract negotiations. This may or may not be true; but if it is true, the same rationale would apply to the Regents' approval of every hiring decision that currently requires their approval. The 2006 Report of the Task Force on UC Compensation, Accountability, and Transparency recommended that the Regents retain direct authority to approve compensation for top-tier administrators, including medical center CEOs, professional school deans, and the top five most highly compensated positions at each UC location, with no exception for coaches and athletic directors. The proposed action fell short of this standard. Background materials to the item also asserted that the President and chancellors are better able to respond quickly during time-sensitive contract negotiations to retain a high-demand coach or athletic director. The need to respond quickly is more compelling in the case of medical center CEOs, chancellors, professional school deans, and National Laboratory directors.

Committee Chair Kieffer suggested that this item, C6, *Authorization for the President of the University, in Consultation with the Chair of the Committee on Compensation, to Approve Appointment and Compensation Actions for Employees in Coach and Other Athletic Positions*, be postponed. The item would be taken back for further review by the Committee on Compensation in consultation with the President and the Working Group. He noted that the Working Group might be reconstituted. The matter would be discussed at a future meeting.

Upon motion duly made and seconded, the Committee approved the motion to postpone action on this item to a future meeting.

The meeting adjourned at 12:05 p.m.

Attest:

Secretary and Chief of Staff