

The Regents of the University of California

**COMMITTEE ON COMPENSATION**

November 19, 2015

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

Members present: Regents Elliott, Island, Kieffer, Lansing, Ortiz Oakley, Pattiz, and Sherman; Ex officio members Lozano and Napolitano; Advisory members Chalfant and Ramirez

In attendance: Regents Davis, De La Peña, Gorman, Makarechian, Oved, Pérez, Ruiz, and Zettel, Regents-designate Brody and Schroeder, Faculty Representative Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Investment Officer Bachher, Provost Dorr, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice Presidents Henderson and Peacock, Vice Presidents Budil, Duckett, and Sakaki, Chancellors Blumenthal, Hawgood, Khosla, and Yang, and Recording Secretary Johns

The meeting convened at 3:45 p.m. with Committee Vice Chair Ortiz Oakley presiding.

**1. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of September 17, 2015 were approved.

**2. APPROVAL OF APPOINTMENT OF AND COMPENSATION USING NON-STATE FUNDS FOR VINCENT L. JOHNSON AS EXECUTIVE VICE PRESIDENT – UCSF HEALTH OPERATIONS AND CHIEF OPERATING OFFICER, UCSF HEALTH, SAN FRANCISCO CAMPUS AS DISCUSSED IN CLOSED SESSION**

Background to Recommendation

The President of the University recommended approval for the appointment of and compensation for Vincent L. Johnson as Executive Vice President – UCSF Health Operations and Chief Operating Officer, UCSF Health, San Francisco campus, at 100 percent time, effective January 4, 2016. Funding for this position will come exclusively from non-State funds.

In response to changes in the healthcare market driven in part by the Patient Protection and Affordable Care Act, in 2014, UCSF adopted and began implementing a new strategic plan called UCSF Vision 2020. UCSF is adjusting its structure to simplify the

process of making and executing decisions by consolidating key functions. This will make the organization more nimble and lower costs by reducing redundancies while promoting strategic, operational, and financial alignment across all parts of the organization. Earlier this year, the Regents received a detailed briefing on the UCSF strategy and plans from Chancellor Hawgood, Chief Executive Officer Mark Laret, and Executive Vice President Stobo.

UCSF Health is the largest financial entity in UC Health, and the expectation is that it will continue to grow. Over the past three years, UCSF Medical Center has evolved from a \$1.1 billion single licensed facility to a very large \$3 billion multi-entity health system through various affiliations in an effort to compete in the rapidly changing healthcare market. UCSF Health now comprises UCSF Medical Center, including UCSF Benioff Children's Hospital San Francisco, the UCSF faculty practice group, the separately licensed UCSF Langley Porter Psychiatric Hospital and Clinics, and UCSF Benioff Children's Hospital Oakland, as well as the Bay Children's Physician Foundation and joint ventures with John Muir Health and Hospice by the Bay.

As a result of this new structure, several existing roles have been consolidated or expanded. On the management side, UCSF Medical Center leadership has been organized into the office of UCSF Health with several key reports to Chief Executive Officer Mark Laret. This new organizational structure is specifically designed to facilitate efficient and effective management of an operation that is very large (now a \$3 billion annual operating budget, operating as a self-supporting business with no State support) and increasingly complex (dozens of clinical sites, owned and affiliated hospitals, thousands of physician practices, a large home care business, and growing Accountable Care Organization entities).

The role of Executive Vice President – UCSF Health Operations and Chief Operating Officer, UCSF Health will have the following responsibilities:

- Serve as a core member of the UCSF Health leadership team, including as a member of the system's Leadership Council which reviews and shapes health system policies, aligning strategic priorities with system goals and objectives, and adjudicating complex and large-scale issues that the system faces.
- Have accountability for all operational services delivered across UCSF Health, ensuring operational service alignment with health system vision and strategic objectives.
- Directing and evaluating the administrative and operational functions of the health system at the Parnassus, Mission Bay, Benioff Children's (Oakland and San Francisco campuses), and Mount Zion campuses.
- Designing the operational strategy, implementing, and providing the leadership/direction for patient care services at UCSF.

- Overseeing clinical services, facilities and support services, materials management, information technology, and pharmacy services.
- Working closely with the Chief Faculty Practice Officer's (FPO) physician governance structure to ensure that department chairs and rank and file faculty are fully engaged in both clinical planning and advanced clinical resource management activities, along with managed care administration.
- This position will be a direct report to the Chief Executive Officer, UCSF Health.

A national recruitment was initiated to fill the role of Executive Vice President – UCSF Health Operations and Chief Operating Officer. Mr. Vincent L. Johnson emerged as the top candidate, and was the Chief Operating Officer for the UC Davis Medical Center. Based on the scope and complexity of duties as well as Mr. Johnson's exceptional qualifications, professional accomplishments and depth of experience, an annual base salary of \$710,000 was proposed for the appointment of Mr. Johnson, consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation. The appointment salary of \$710,000 is 15.8 percent above the 75th percentile and slightly below the 90th percentile of the Market Reference Zone (MRZ) for the Chief Operating Officer – Health Systems and Campus position. The proposed salary is 18.7 percent higher than that of the prior incumbent, whose role was of lesser scope than the role Mr. Johnson will assume, and reflects an increase of 16.8 percent over Mr. Johnson's current base salary as Chief Operating Officer at UC Davis Health system, which is significantly smaller than UCSF Health.

The current working title for this position at UCSF is Chief Operating Officer, and this will change to Executive Vice President – UCSF Health Operations and Chief Operating Officer, UCSF Health. This change is intended to better reflect the magnitude of the UCSF Health Operations and to align this position with the other titles within the UCSF Health enterprise as well as external organizations of similar magnitude and complexity. The MRZ title will continue to be Chief Operating Officer, and this Level Two Senior Management Group position will use the existing MRZ for the Chief Operating Officer position, approved by the Regents, which is used for similar positions.

Funding for this position will come entirely from non-State funds, specifically from UCSF Health revenues.

#### Recommendation

The Committee recommended approval of the following items in connection with the appointment of and compensation for Vincent L. Johnson as Executive Vice President – UCSF Health Operations and Chief Operating Officer, UCSF Health, San Francisco campus:

- A. Appointment of Vincent L. Johnson as Executive Vice President – UCSF Health Operations and Chief Operating Officer, UCSF Health, San Francisco campus at 100 percent time. This is a Level Two Senior Management Group position.
- B. Per policy, an annual base salary of \$710,000.
- C. Per policy, continued eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with a target award of 15 percent of base salary (\$106,500) and a maximum potential award of 25 percent of base salary (\$177,500). The actual award will be determined based on performance against pre-established objectives.
- D. Per policy, continued monthly contribution to the Senior Management Supplemental Benefit Program.
- E. Per policy, reimbursement for up to two house-hunting trips each for Mr. Johnson and his spouse or domestic partner, subject to the limitations under policy.
- F. As an exception to policy, reimbursement of temporary housing expenses actually and reasonably incurred for up to 120 days, instead of the 90 days allowed under policy, subject to all other limitations under policy. This is necessary to help facilitate Mr. Johnson’s family’s relocation to the San Francisco Bay Area and to locate suitable accommodations in this highly competitive housing market.
- G. Per policy, reimbursement of actual and reasonable expenses related to moving Mr. Johnson’s household goods and personal effects from his former primary residence to his new primary residence, subject to the limitations under policy.
- H. Per policy, continued eligibility to participate in the UC Home Loan Program, subject to all program requirements.
- I. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability after five years of Senior Management Group service).
- J. This action will be effective January 4, 2016.

The compensation described above shall constitute the University’s total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

[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.]

Executive Director Dennis Larsen briefly outlined the proposed appointment and compensation.

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

3. **APPROVAL OF APPOINTMENT OF AND COMPENSATION USING NON-STATE FUNDS FOR PATRICIA MAYSENT AS INTERIM CHIEF EXECUTIVE OFFICER, UC SAN DIEGO HEALTH SYSTEM, SAN DIEGO CAMPUS AS DISCUSSED IN CLOSED SESSION**

Background to Recommendation

The President of the University requested approval for the appointment of and compensation for Patricia Maysent as Interim Chief Executive Officer of the UC San Diego Health System. This action will be retroactive to August 8, 2015, to coincide with the resignation of the previous Chief Executive Officer (CEO), Paul Viviano. This temporary salary will continue for up to eight months, ending April 1, 2016 or until the appointment of a new CEO, whichever occurs first. The CEO position is classified as a Level One position in the Senior Management Group (SMG). Funding for this position will come entirely from non-State funds, specifically from UC San Diego Health System revenues.

Ms. Maysent was asked to serve in this interim role due to the Chancellor's conclusion that she was the right member of the UCSD Health System leadership team to guide the Health System while the search for a permanent leader is under way. Her immediately previous position was as Executive Director, Strategic and Business Development to the previous CEO and the Vice Chancellor of Health Sciences. Prior to this role, Ms. Maysent served as a member of the Health System's Executive Management Team, responsible for leading much of Project Helix, an enterprise-wide change management plan. This work included amending UC San Diego Health System's strategic plan and leading the Project Management Office – Operational Excellence Council (OEC). The OEC focuses on achieving significant operational efficiencies by creating a culture of accountability, excellence, and efficiency. To date the OEC has identified and removed approximately \$30 million annually in excess operational costs. In this role Ms. Maysent has also provided leadership for the organizational design changes and funds flow initiatives across all of Health Sciences. She has managed the strategic relationship with Rady Children's Hospital and Scripps Health, including the negotiation of an affiliation between UC San Diego and Scripps Proton Therapy Center.

Ms. Maysent has more than 25 years of senior executive leadership experience in hospital and health system management for both academic and non-academic medical centers, including extensive experience in building hospital/physician integration strategies, medical practice foundations, management services organizations (MSO), and independent practice organizations (IPA). Ms. Maysent was also the CEO for a smaller health organization.

A national search for the CEO position was under way. Ms. Maysent has been serving as the CEO of UC San Diego Health System since Mr. Viviano's departure, without any additional compensation beyond her current salary of \$299,252. Since her temporary role as interim CEO is expected to continue for up to eight more months, the temporary salary is proposed to properly compensate her for her services retroactive to the date she assumed the role. Because it is retroactive, this is considered an exception to policy.

The campus proposes a base salary of \$430,000 while she is in this interim role, reflecting a temporary increase of 43.7 percent. The proposed salary is 44 percent below the 25th percentile of the position's Market Reference Zone (MRZ) and 43 percent lower than the base salary (\$741,595) of the previous incumbent.

At the conclusion of the interim appointment, Ms. Maysent will return to her former role as Executive Director, Strategic and Business Development, and her total cash compensation will revert to her total cash compensation in effect as of August 8, 2015, plus any adjustments resulting from salary programs implemented during the interim appointment.

Funding for this position will come entirely from non-State funds, specifically from UC San Diego Health System revenues.

#### Recommendation

The Committee recommended approval of the following items in connection with the appointment of and compensation for Patricia Maysent as Interim Chief Executive Officer, UC San Diego Health System, San Diego campus:

- A. Per policy, appointment of Patricia Maysent as Interim Chief Executive Officer, UC San Diego Health System, at 100 percent time.
- B. Per policy, an annual base salary of \$430,000.
- C. Per policy, eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP) with a target award of 20 percent of base salary (\$86,000) and a maximum potential award of 30 percent of base salary (\$129,000) for the period served as Interim Chief Executive Officer. The incentive opportunity for the balance of the year will be based on Ms. Maysent's incentive award opportunity as Executive Director, Strategic and Business Development. The actual award will be based on performance against pre-established objectives.
- D. Per policy, standard pension and health and welfare benefits.
- E. As an exception to policy, this action will be retroactive to August 8, 2015 and remain in effect through April 1, 2016, or until the appointment of a new Chief Executive Officer, whichever occurs first.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

[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.]

Executive Director Dennis Larsen briefly outlined the proposed appointment and compensation.

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 MICHAEL J. BECK AS ADMINISTRATIVE VICE CHANCELLOR, LOS ANGELES CAMPUS AS DISCUSSED IN CLOSED SESSION**

Background to Recommendation

The President of the University recommended approval for the appointment of and compensation for Michael J. Beck as Administrative Vice Chancellor, Los Angeles campus, effective February 1, 2016. Following a national search, Mr. Beck emerged as the top candidate for the Administrative Vice Chancellor position, which became vacant following the retirement of the former incumbent, Jack Powazek, on October 1, 2015. The Administrative Vice Chancellor position is classified as a Level Two position in the Senior Management Group (SMG) with dual reporting to UCLA's Chancellor and Executive Vice Chancellor.

Mr. Beck is currently the City Manager of Pasadena, California, where he has served since October 2008. He is responsible for a \$675 million budget and 2,000 employees, with supervision of 14 departments. Prior to his service in Pasadena, Mr. Beck was Assistant City Manager for the City of Riverside, the largest city in Southern California's Inland Empire, with a population of more than 300,000 and a \$1 billion operating budget. His responsibilities included oversight of Riverside Municipal Airport and the City departments of Community Development, Public Works, Public Utilities, and Parks, Recreation and Community Services. Additionally, Mr. Beck's prior experience includes serving as director of Economic Development and Real Estate Services at UC Riverside, where he was employed for 14 years.

The position of Administrative Vice Chancellor at UCLA is responsible for overseeing campus operations, developing policy, and monitoring compliance for offices that include Campus Human Resources; Environment, Health and Safety; Events and Transportation; Facilities Management; Housing and Hospitality Services (including faculty and staff housing, and UCLA conference centers); Information Technology Services; the Central

Ticket Office; and the UCLA Police Department. The Administration Division covers more than 4,400 staff with an operating budget of \$625 million. Mr. Beck will have administrative responsibility for the largest campus in the UC system.

In view of the breadth and scope of the Administrative Vice Chancellor role at UCLA, the campus is proposing a base salary of \$360,000, which represents an increase of 20.7 percent over Mr. Beck's current salary of \$298,350. In accepting the University's offer, Mr. Beck will be forfeiting additional compensation he currently receives from the City of Pasadena, including a \$6,000 annual car allowance, an annual bonus of up to 12 percent of base salary, and deferred compensation of \$24,000 per year. These additional compensation elements amount to a total of \$65,802 and bring Mr. Beck's annual recurring compensation at the City to \$364,152. The proposed base salary is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation, and reflects an appropriate salary, taking into account the scope and responsibilities of the position relative to the external market and internally, to other UC peers, as well as Mr. Beck's depth and breadth of experience. The proposed salary is 9.8 percent above the 60th percentile of the position's Market Reference Zone (MRZ), but below the 75th percentile. The former incumbent's salary was 5.6 percent below the 60th percentile.

The proposed salary for Mr. Beck would offset some but not all of the elements of compensation provided by Pasadena. To help offset this loss of annual income, as well as other elements of compensation that Mr. Beck will forfeit by joining UCLA, the campus proposes a one-time hiring bonus of 20 percent of base salary (\$72,000), consistent with policy, including a repayment requirement should Mr. Beck resign from UCLA prior to the completion of four years' service; details are provided below. The offer to Mr. Beck does not contain a cash relocation allowance, but the University will reimburse Mr. Beck for actual and reasonable expenses associated with movement of his household effects and temporary lodging, consistent with policy.

Funding for this appointment will continue to come from Auxiliary Enterprises (partially State-funded).

#### Recommendation

The Committee recommended approval of the following items in connection with the appointment of and compensation for Michael J. Beck as Administrative Vice Chancellor, Los Angeles campus:

- A. Per policy, appointment as Administrative Vice Chancellor, Los Angeles campus, at 100 percent time.
- B. Per policy, an annual base salary of \$360,000.
- C. Per policy, a hiring bonus of 20 percent of base salary (\$72,000) to be paid in a lump sum, subject to the following repayment schedule if Mr. Beck separates



from the University within four years of his appointment: 100 percent if separation occurs within the first year of employment, 75 percent if separation occurs within the second year of employment, 50 percent if separation occurs within the third year of employment, and 25 percent if separation occurs within the fourth year of employment, subject to the limitations under policy.

- D. Per policy, reimbursement for limited temporary housing-related expenses actually and reasonably incurred, not to exceed \$12,000 for a period of up to 90 days, subject to the limitations under policy.
- E. Per policy, a monthly contribution to the Senior Management Supplemental Benefit Program.
- F. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability after five years of Senior Management Group service).
- G. Per policy, eligibility to participate in the UC Home Loan Program, subject to all applicable requirements.
- H. Per policy, reimbursement of actual and reasonable expenses associated with moving Mr. Beck's household goods and personal effects from his former primary residence to his new primary residence, subject to the limitations under policy.
- I. This action will be effective on February 1, 2016.

The compensation described above shall constitute the University's total commitment until modified by the Regents, the President, or the Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

[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.]

Executive Director Dennis Larsen briefly outlined the proposed appointment and compensation.

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

5. **APPROVAL OF ESTABLISHMENT OF A NEW POSITION IN THE SENIOR MANAGEMENT GROUP OF ASSOCIATE VICE PRESIDENT – ENERGY AND SUSTAINABILITY, AND THE MARKET REFERENCE ZONE FOR THE POSITION, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION**

Background to Recommendation

The President of the University recommended approval to establish a new position within the Senior Management Group of Associate Vice President – Energy and Sustainability, Office of the President, effective upon approval. The proposed Market Reference Zone (MRZ) for this position is as follows: 25th percentile – \$193,000, 50th percentile – \$198,000, 60th percentile – \$247,000, 75th percentile – \$299,000, 90th percentile – \$417,000.

This position will be in Level Two of the Senior Management Group, and, pursuant to Regents policy, the President has authority for appointment and compensation decisions for such positions within certain parameters.

The position of Associate Vice President – Energy and Sustainability was created to lead the energy and sustainability efforts systemwide. The position will report to Executive Vice President and Chief Operating Officer Nava. This reporting relationship was created as part of the realignment of the Chief Financial Officer (CFO) and Chief Operating Officer (COO) Divisions. The elevation and consolidation of units involved in energy and sustainability-related activities under a new leader reporting to the COO is intended to reflect the importance of this work and to better align and integrate these activities. The Associate Vice President – Energy and Sustainability is also responsible for working with the campuses to achieve the President’s goal for the UC system to become carbon-neutral, systemwide, by 2025.

The Carbon Neutrality Initiative outlines four efforts to achieve this goal: wholesale electricity, campus energy efficiency and renewable energy, natural gas and biogas procurement, and management of environmental attributes.

One highlight of this initiative is the creation of a shared service center to manage the supply of wholesale electricity to the five campuses currently eligible for direct access. This center will also own generation resources, provide the University the flexibility to invest in and develop alternative energy sources or to purchase such power through long-term contracts.

In addition, there will be increased efforts to expand funding sources available to fund energy efficiency and renewable energy projects. Regarding procurement of natural gas, the University will develop renewable natural gas, commonly referred to as biogas, through both direct development of biogas projects as well as the purchase of biogas contracts through outside producers.

A final highlight is that as environmental attribute programs like California's cap and trade program generate funds to be used for projects resulting in the reduction in greenhouse gas emissions, the University will actively solicit funds to support its initiatives.

This position will be non-State-funded.

Recommendation

The Committee recommended approval of the following items in connection with the establishment of the new Senior Management Group position of Associate Vice President – Energy and Sustainability, and the Market Reference Zone for the position, Office of the President:

- A. Establishment of the new Senior Management Group position of Associate Vice President – Energy and Sustainability, Office of the President. This will be a Level Two position in the Senior Management Group.
- B. Establishment of a Market Reference Zone (MRZ) for the Associate Vice President – Energy and Sustainability, Office of the President, as follows: 25th percentile – \$193,000, 50th percentile – \$198,000, 60th percentile – \$247,000, 75th percentile – \$299,000, 90th percentile – \$417,000.
- C. This action will be effective upon approval.

[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 Vice Chair Ortiz Oakley underscored that the creation of this new position reflected the values and goals of the University regarding sustainability and that several comparable public sector positions had been taken into account in setting the Market Reference Zone for this position.

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 3:50 p.m.

Attest:

Secretary and Chief of Staff