

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

September 27, 2018

The Regents of the University of California met on the above date at the Luskin Conference Center, Los Angeles campus.

Members present: Regents Anderson, Anguiano, Butler, Cohen, Elliott, Estolano, Graves, Guber, Kieffer, Lansing, Leib, Morimoto, Napolitano, Ortiz Oakley, Park, Pérez, Rendon, Sherman, Tauscher, and Zettel

In attendance: Regents-designate Simmons, Um, and Weddle, Faculty Representatives Bhavnani and May, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Investment Officer Bachher, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Senior Vice President Gulbranson, Interim Senior Vice President Holmes, Vice Presidents Brown, Budil, Duckett, Holmes-Sullivan, and Humiston, Chancellors Block, Blumenthal, Christ, Hawgood, Khosla, May, Wilcox, and Yang, and Recording Secretary McCarthy

The meeting convened at 9:15 a.m. with Chair Kieffer presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of July 19, 2018 were approved.

2. PUBLIC COMMENT

Chair Kieffer explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

- A. Ms. Johana Guerra, third-year UCLA student, urged the Office of the President to collaborate with the UC Undocumented Student Coalition to provide basic needs such as housing and support services. She asked the Regents to take a more proactive role in addressing students' basic needs.
- B. Mr. Justin Feldman, third-year UCLA student and member of the pro-Israel community at UCLA, criticized the views of Students for Justice in Palestine (SJP), which he said fit the U.S. State Department definition of anti-Semitism. He said that SJP intimidates Jewish students and disrupts student events. Mr. Feldman stated that SJP's upcoming national conference was not open to him or to the public, even though the conference would be held at UCLA, which he said violates UCLA policy. Pro-Israel students should be allowed to attend the conference to defend their views and to document any instances of anti-Semitism. He asked the Regents

either to prevent SJP from holding its conference at UCLA or to require SJP to open the conference to all students.

- C. Ms. Lindsey Huizar, third-year UC Merced student and external vice president of the Associated Students of UC Merced, read a statement from Brittney Mendez, a first-generation, third-year UC Merced student, who advocated for student-initiated retention programs providing basic needs and academic support. She stated that UC Merced lacked services for first-generation students, and an Educational Opportunity Program through which UC Merced students could reach out to potential first-generation students in the Central Valley. Ms. Mendez also urged the appointment of a Regent from the Central Valley.
- D. Mr. Jonathan Harris, director of the Israeli-American Coalition for Action and representing the Israeli-American community of Los Angeles, said the UC Principles Against Intolerance articulate worthy goals for any university. He cited examples of online comments he said were from SJP members that expressed hatred for Jews in Israel and endorsed violence against Jews. He said SJP was anti-Semitic at its core, as well as deeply anti-American and anti-democratic. Mr. Harris expressed his view that SJP should not be permitted to hold its national conference at UCLA, which would be failing to maintain protections against discrimination for its Jewish and Israeli students.
- E. Ms. JoAnna Reyes Walton, UCLA Ph.D. student and a single parent, said that UCLA teaching assistants (TAs) appointed at 50 percent position were paid \$20,653 for an academic year, barely above the federal poverty level for a family of three, making it extremely difficult to support a family, particularly with the area's high cost of housing. She said that Mothers of Color in Academia de UCLA requested a systemwide assessment of student-parents' educational needs.

Regent Lansing asked that she be provided with information about the University's meeting rules, as she had assumed that all conferences on campus were open to all. General Counsel Robinson said he would provide that information. Regent Leib said he would also like to be provided with this information. Regent Pérez asked that the information provided include systemwide governing legislation and Regents policy relating to this issue.

3. **REMARKS OF THE UC STUDENT ASSOCIATION PRESIDENT**

President Napolitano introduced UC Student Association (UCSA) President Caroline Siegel-Singh, who commented that she was able to become a UC San Diego student because of that campus' outreach to underrepresented, first-generation students. Ms. Siegel-Singh added, however, that her family's expected contribution to her financial package was very substantial when compared with its income. Many of her high school friends who had been admitted to UC or other four-year universities withdrew early in the fall because of various issues with financial aid and housing availability.

Ms. Siegel-Singh remarked that California high school students were not being educated sufficiently about UC's financial aid. The full amount of tuition intimidates many students. Support for students' basic needs is critical to ensure their retention and graduation. She urged the Regents to advocate for financial aid that accounts realistically for the total cost of attendance. The entire state was undergoing an affordable housing crisis, which affects students.

4. **NOTABLE HONORS AND ACHIEVEMENTS**

President Napolitano reported that UC Irvine and UC Merced recently completed major building expansions that would serve UC's growing student population, and support multidisciplinary teaching and learning. UC Irvine held an opening ceremony earlier that week for its Anteater Learning Pavilion, a new building with technology-enabled lecture halls, classrooms, and computer laboratories designed to facilitate student interaction. The prior month, President Napolitano attended the opening celebration of the first three buildings of the Merced 2020 Project campus expansion, two mixed-use residence halls and a 600-seat dining facility. The innovative public-private partnership Merced 2020 Project was moving forward on time and on budget, and would allow UC Merced to expand from its current 8,000 students to 10,000 students by 2020.

UC Santa Cruz and Silicon Valley leaders celebrated the 130th anniversary of the Lick Observatory, operated by UC since 1888. At the ceremony State Senator Robert Wieckowski presented UC Santa Cruz with a State Resolution recognizing the Observatory's legacy as a world-class research and teaching facility, which enables more than 100 researchers to pursue science programs at any given time.

In July, Regent Emeritus Fred Ruiz received the James L. Fisher Award for Distinguished Service to Education, bestowed by the Council for Advancement and Support of Education, for his decades-long support for UC Merced and education in the San Joaquin Valley.

Two weeks prior, UCLA Distinguished Professor of Biological Chemistry Michael Grunstein was awarded the 2018 Albert Lasker Basic Medical Research Award, widely regarded as the nation's highest biomedical research prize. His groundbreaking work on gene expression opened the door to new avenues for research and treatment of disease.

Two reports released the prior summer by the UC Office of the President demonstrated how UC's investment in its teaching, research, and public service missions pays dividends for its students and the state. UCOP's annual report on technology commercialization showed that 2017 was a banner year for commercializing UC discoveries. UC research sparked 96 new startups that year and 555 patents were issued for UC inventions. Also, UC's 2018 Accountability Report demonstrated how earning a UC degree is a powerful economic equalizer, as data showed that UC students from families in the lowest 20 percent of incomes go on to earn as much as students from middle-income families after graduation. The Accountability Report also showed that all UC alumni, regardless of their academic field, see their earnings double between two and ten years after graduating, a powerful measure of UC's success in fostering the economic mobility of its graduates.

5. **COMMITTEE REPORTS INCLUDING APPROVAL OF RECOMMENDATIONS FROM COMMITTEES**

Chair Kieffer stated that Chairs of Committees and Subcommittees that met the prior day and off-cycle would deliver reports on recommended actions and items discussed, providing an opportunity for Regents who did not attend a particular meeting to ask questions.

Report of the Academic and Student Affairs Committee

Regent Pérez reported that the Committee considered four discussion items and one information item.

A. *Update on Expanding the Vision for and Vitality of the UC Center Sacramento*

The Committee expects to receive a more detailed plan for future expansion of the UC Center Sacramento.

B. *Accountability Sub-Report on Diversity: Faculty Diversity Outcomes*

The Committee has sought to make its engagement in the discussion of the Accountability Report more dynamic and focused on real accountability.

C. *Policies and Practices Regarding Treatment of Native American Remains and Artifacts*

Regent Pérez reported that the Committee had a dynamic discussion about UC's history regarding regulations involving repatriation of Native American remains, and that a process would occur to consider changes in the way in which UC prioritizes work to actively repatriate remains.

D. *University-Assisted Community Schools: A Growing National Movement*

The Committee had an engaged discussion on this movement, focused on UCLA's university-assisted schools.

E. *Update on Regents Policy 3501: Student Athletes and Guiding Principles to Enhance Student-Athlete Welfare*

This information item was not summarized at the Board meeting.

Report of the Compliance and Audit Committee

Regent Elliott reported that the Committee considered five items for discussion.

A. ***Roles and Responsibilities of the Expert Financial Advisor to the Compliance and Audit Committee***

Regent Elliott reported that the Committee's expert advisor Eric Juline discussed the history, qualifications, and roles and responsibilities of the expert financial advisor.

B. ***Internal Audit Activities Report***

Audit Services recently coordinated a detailed self-assessment of UC's internal audit function and engaged an external team to conduct an independent validation of this self-assessment. The external quality assessment review team gave UC's internal audit function the highest possible rating. The Committee would receive an update on areas where there were opportunities for improvement.

C. ***Update on Implementation of Recommendations from State Audit of University of California Office of the President Administrative Expenditures***

For discussion see item D, below.

D. ***Report on Independent Assessment of Audit Implementation Status***

Regent Elliott reported that the Committee heard from the UC Office of the President and from Sjoberg Evashenk Consulting, who the Regents hired to assess progress in implementation of the recommendations of the State Auditor relating to the Office of the President's administrative expenditures. Their reports were aligned for the most part. Regent Elliott noted that there were a number of recommendations that the State Auditor said were incomplete, which he said were largely based on timing. UC asked the State Auditor to reassess progress on these recommendations and hoped that the Auditor would agree with UC in the coming months. Committee members stressed the importance of continuing proactive engagement with the State Auditor's office on implementation plans to ensure that UC is continuing to meet the letter and the intent of the recommendations.

Regent Pérez commented that future interactions with the State Auditor may involve challenges relating to the Auditor's assumptions about UC's time of reporting the budget compared with UC's long-term practice, which is about one month different. The University was substantially in compliance aside from this timing difference. President Napolitano said her office had asked the State Auditor to adjust the timeline in light of the Regents' practice. Chair Kieffer added that he would discuss this issue directly with the State Auditor.

E. ***Update on Academic Senate Response to the State Auditor's Report on Sexual Harassment Cases at the University of California***

Faculty Representative May updated the Committee on the Academic Senate's progress in responding to the State Auditor's recommendations regarding the University's handling of sexual harassment cases involving members of the faculty.

Report of the Finance and Capital Strategies Committee

Regent Park reported that the Committee considered six items for discussion:

A. ***Preliminary Discussion of the University of California 2019-20 Budget***

The Committee had a wide-ranging discussion of issues relating to developing a multi-year budget and enrollment plan, including UC's role in filling the projected gap between college degree production and California's workforce needs, the difference between degree production and enrollment, and whether degree production would align with actual workforce needs. The Committee also discussed enrollment capacity by campus, student housing and campus facility needs, faculty salary gaps, possible new approaches for delivery of education, and the opportunity for a General Obligation bond in 2020.

B. ***University of California 2019-20 Budget for State Capital Improvements***

Regent Park explained that UC received authority from the State to use its portion of State General Funds to finance or fund capital projects. The current estimated 2019-20 budget for State Capital Improvements was \$213 million in State funds, supported by nearly \$100 million of non-State resources. This proposed budget had been submitted to the State. The Committee requested that in the future this item be presented to the Committee earlier, before the budget is submitted to the State. The Committee intended to explore this area more deeply, particularly the pressure on UC's operating budgets by the need to finance these projects.

C. ***Establishment of Bakar BioEngineering Hub at Woo Hon Fai Hall, Berkeley Campus***

Regent Park said this unique, completely donor-funded project would renovate the former Berkeley Art Museum as an innovation center for research and entrepreneurship.

D. ***Development of North District Phase I Student Apartment Community, Riverside Campus***

This UC Riverside project would provide 1,500 student apartment beds. The Committee pressed the campus to find ways to reduce student rental rates to help reduce students' total cost of attendance. The Committee questioned whether

various UC campuses' Long Range Development Plans (LRDPs) reflected the University's current goals and capacity. UC Riverside reported that it was well short of its stated 2005 LRDP goal of housing 50 percent of its students.

E. ***Classroom Building, Santa Barbara Campus***

This UC Santa Barbara project would replace a prior-approved project that had been deemed unviable. The new project would increase the campus' classroom inventory by more than one-third and seating capacity by more than 40 percent, and would take advantage of new teaching pedagogies.

F. ***Committee Priorities and Items for the Upcoming Year***

Committee priorities included addressing deferred maintenance, and developing a more strategic approach to construction and development with increased value.

Governance and Compensation Committee

Regent Sherman reported that the Committee considered six items for action and one item for discussion:

A. ***Appointment of and Compensation for Claire Holmes as Senior Vice President – External Relations and Communications, Office of the President***

The Committee recommended approval of the following items in connection with the appointment of and compensation for Claire Holmes as Senior Vice President – External Relations and Communications, Office of the President:

- (1) Per policy, appointment of Claire Holmes as Senior Vice President – External Relations and Communications, Office of the President, at 100 percent time.
- (2) Per policy, an annual base salary of \$360,000, partially or fully funded with State funds.
- (3) Per policy, standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and executive salary continuation for disability after five consecutive years of Senior Management Group service).
- (4) Per policy, eligibility to participate in the UC Employee Housing Assistance Program, subject to all program requirements.
- (5) For any outside professional activities related to her professional expertise, Ms. Holmes will comply with Outside Professional Activity (OPA) policies.
- (6) This action will be effective on or about September 28, 2018.

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.

Regent Sherman reported that the Committee approved this item unanimously.

B. *Market-Based Salary Adjustment for Sarah Latham as Vice Chancellor, Business and Administrative Services, Santa Cruz Campus*

The Committee recommended approval of the following items in connection with the market-based salary adjustment for Sarah Latham as Vice Chancellor, Business and Administrative Services, Santa Cruz campus:

- (1) Per policy, a market-based salary adjustment of 7.3 percent, increasing Ms. Latham's base salary from \$298,335 to \$320,000, as Vice Chancellor, Business and Administrative Services, Santa Cruz campus.
- (2) Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and executive salary continuation for disability after five consecutive years of Senior Management Group service).
- (3) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (4) Per policy, continuation of a monthly contribution to the Senior Management Supplemental Benefit Program because Ms. Latham retains her current position.
- (5) As an exception to policy, this action will be effective July 1, 2018.

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.

Regent Sherman reported that the Committee approved this item with one "no" vote.

C. ***Market-Based Salary Adjustment for M. Elizabeth Cowell as University Librarian, Santa Cruz Campus***

The Committee recommended approval of the following items in connection with the market-based salary adjustment for M. Elizabeth Cowell as University Librarian, Santa Cruz campus:

- (1) Per policy, a market-based salary adjustment of 8.9 percent, increasing Ms. Cowell's base salary from \$229,468 to \$250,000 as University Librarian, Santa Cruz campus.
- (2) Per policy, continuation of standard pension and health and welfare benefits and standard senior management benefits (including eligibility for senior management life insurance and executive salary continuation for disability after five consecutive years of Senior Management Group service).
- (3) Per policy, continued eligibility to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- (4) Per policy, continuation of a monthly contribution to the Senior Management Supplemental Benefit Program because Ms. Cowell retains her current position.
- (5) As an exception to policy, this action will be effective retroactively to July 1, 2018.

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.

Regent Sherman reported that the Committee approved this item with one "no" vote.

D. ***Merit-Based Salary Increases for Certain Level One Senior Management Group Employees and Authorization for the President of the University to Approve Retroactive Merit-Based Salary Increases for Certain Level Two Senior Management Group and Management and Senior Professional Employees***

The Committee recommended approval of the following:

- (1) Salary increases for the Level One Senior Management Group (SMG) employees listed below. The increase for the Lawrence Berkeley National Laboratory Director will be effective October 1, 2018. As an exception to

policy, the increases for all other individuals listed below will be effective July 1, 2018.

Title	Incumbent		Current Salary	Proposed Salary Increase	Proposed Annual Base Salary	Funding Source
Direct and/or Dual Reports to the Regents						
Chief Investment Officer and VP of Investments	Jagdeep	Bachher ¹	\$652,454	3.0%	\$672,028	Non State Funded
General Counsel and Vice President - Legal Affairs	Charles	Robinson	\$454,574	3.0%	\$468,211	Partially or Fully State Funded
Secretary and Chief of Staff to the Regents	Anne	Shaw	\$238,703	3.0%	\$245,864	Partially or Fully State Funded
Senior Vice President - Chief Compliance and Audit Officer	Alex	Bustamante	\$350,000	3.0%	\$360,500	Partially or Fully State Funded
Chancellors – Campuses With Health Services						
Chancellor - UCD	Gary	May	\$420,000	3.0%	\$432,600	Partially or Fully State Funded
Chancellor - UCI	Howard	Gillman	\$514,537	3.0%	\$529,973	Partially or Fully State Funded
Chancellor - UCLA	Gene	Block	\$468,211	3.0%	\$482,257	Partially or Fully State Funded
Chancellor - UCSD	Pradeep	Khosla	\$462,684	3.0%	\$476,565	Partially or Fully State Funded
Chancellor - UCSF	Sam	Hawgood	\$819,545	3.0%	\$844,131	Partially or Fully State Funded
Chancellors – Campuses Without Health Services						
Chancellor - UCB	Carol	Christ	\$531,939	3.0%	\$547,897	Partially or Fully State Funded
Chancellor - UCM	Dorothy	Leland	\$406,495	3.0%	\$418,690	Partially or Fully State Funded
Chancellor - UCR	Kim	Wilcox	\$406,495	3.0%	\$418,690	Partially or Fully State Funded
Chancellor - UCSB	Henry	Yang	\$413,051	3.0%	\$425,443	Partially or Fully State Funded
Chancellor - UCSC	George	Blumenthal	\$406,495	3.0%	\$418,690	Partially or Fully State Funded
Chief Executive Officers - Health Systems						
Chief Executive Officer - UCLA	Johnese	Spisso ¹	\$1,028,608	3.0%	\$1,059,466	Non State Funded
Chief Executive Officer - UCSD	Patricia	Maysent ¹	\$880,770	3.0%	\$907,193	Non State Funded
Chief Executive Officer - UCSF	Mark	Laret ¹	\$1,072,782	3.0%	\$1,104,965	Non State Funded
Lawrence Berkeley Laboratory Director						
Laboratory Director (LBNL)	Michael	Witherell	\$453,200	3.0%	\$466,796	Non State Funded

Title	Incumbent	Current Salary	Proposed Salary Increase	Proposed Annual Base Salary	Funding Source	Title
OP - Direct Reports to the President						
Executive Vice President - Chief Operating Officer	Rachael	Nava	\$370,000	3.0%	\$381,100	Partially or Fully State Funded
Executive Vice President - Chief Financial Officer	Nathan	Brostrom	\$424,360	3.0%	\$437,091	Partially or Fully State Funded
Executive Vice President - UC Health	John	Stobo ¹	\$633,782	3.0%	\$652,795	Partially or Fully State Funded
Provost and Executive Vice President - Academic Affairs	Michael	Brown	\$379,000	3.0%	\$390,370	Partially or Fully State Funded
Senior Vice President - Innovation and Entrepreneurship	Christine	Gulbranson	\$345,000	3.0%	\$355,350	Partially or Fully State Funded
Vice President - Agriculture and Natural Resources	Glenda	Humiston	\$287,000	3.0%	\$295,610	Partially or Fully State Funded
Vice President for UC National Labs	Kim	Budil	\$376,620	3.0%	\$387,919	Partially or Fully State Funded

¹Eligible for Incentive Pay (OCIO AIP or CEMRP)

- (2) As an exception to policy, because the time period between the effective date and the approval date is greater than 45 days, authorization for the President to approve merit increases retroactive to July 1, 2018 for those Level Two SMG members and employees in the Managers and Senior Professionals (MSP) personnel program that require the President's approval and would normally be within the President's authority to approve.

The base salaries presented above shall constitute the University's total commitment for base salary 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.

Regent Sherman reported that the Committee approved this item unanimously.

E. *Dates of Regents Meetings for 2020*

The Committee recommended that the following dates of Regents meetings for 2020 be approved:

2020

January 21-23
 March 17-19
 May 19-21
 July 14-16
 September 15-17
 November 17-19

Regent Sherman reported that the Committee approved this item unanimously.

F. ***Suspension of Bylaw 21.7 for the Limited Purpose of Enabling the Los Angeles Campus to Reappoint Regent Estolano to Part-Time Teaching and Advisory Board Positions, Provided that any such Positions are Uncompensated***

The Committee recommended that Bylaw 21.7 be suspended for the limited purpose of enabling Regent Estolano to be eligible for reappointment to the following University-affiliated positions at the UCLA campus, provided that any such positions are uncompensated:

- (1) As a part-time faculty member in the UCLA Luskin School of Public Affairs;
- (2) As a member on the Advisory Board of the UCLA Lewis Center for Regional Policy Studies.

Regent Sherman reported that the Committee approved this item unanimously.

G. ***Plan for Narrowing University of California Office of the President Non-Represented Staff Salary Ranges***

Regent Sherman stated that UCOP non-represented staff salary ranges were currently very wide, with actual salaries clustered in the middles of the ranges. The Regents engaged Sullivan, Cotter and Associates to work with the Regents to revise the salary ranges so that the lowest range would be 60 percent of the median and the highest 140 percent of the median. This process was ongoing and the Committee expressed its endorsement of this approach.

H. ***Appointment of Regents to Standing Committees and Subcommittees for 2018-19***

- (1) The Committee recommended the following committee appointments, effectively immediately through June 30, 2019:
 - a. Regent Butler be appointed a member of the Academic and Student Affairs Committee and the Public Engagement and Development Committee;
 - b. Regent Cohen be appointed a member of the Finance and Capital Strategies Committee and the Compliance and Audit Committee;
 - c. Regent Estolano be appointed a member of the Academic and Student Affairs Committee and the Compliance and Audit Committee;

- d. Regent Leib be appointed a member of the Finance and Capital Strategies Committee and the Public Engagement and Development Committee.
- (2) The Committee reported its appointment of Regent Estolano as a member of the National Laboratories Subcommittee, effective immediately through June 30, 2019 and contingent upon her appointment by the Regents to the Academic and Student Affairs Committee.
- (3) The Committee reported its appointment of Regent Leib as a member of the Investments Subcommittee, effective immediately through June 30, 2019, contingent upon his appointment by the Regents to the Finance and Capital Strategies Committee.

Regent Sherman reported that the Committee approved this item unanimously.

Upon motion of Regent Sherman, duly made and seconded, the recommendations of the Governance and Compensation Committee were approved, with Regents Anderson, Anguiano, Butler, Graves, Guber, Kieffer, Lansing, Leib, Morimoto, Napolitano, Ortiz Oakley, Pérez, Sherman, Tauscher, and Zettel voting “aye,” and Regents Cohen and Elliott voting “aye” on all items except B and C, and voting “no” on B and C; Regent Estolano voting “aye” on all items except A, B, C, and F, and voting “no” on items A, B, and C, and abstaining on item F; and Regent Park voting “aye” on all items except A, B, C, and D, and voting “no” on items A, B, C, and D.

Health Services Committee (meeting of August 14)

Regent Lansing reported that the Committee considered one item for action and five items for discussion:

A. *Remarks of the Executive Vice President – UC Health*

Executive Vice President Stobo reported to the Committee on hospital rankings issued by *U.S. News and World Report*. In California, all five UC medical centers ranked in the top 11. UCSF was ranked number one in California and UCLA number two. In national rankings, UCSF was second in the nation among public hospitals and UCLA third.

B. *Update on Student Health and Counseling and UC Student Health Insurance Plan*

In this year, as in the prior year, UC students’ access to mental health services on campus for urgent needs remained excellent, while access remained good for routine appointments. The University’s goal is to see students with urgent needs in one to two days.

The University was in the final phase of implementing the UC Immunization Policy. Medical Director of Student Health and Counseling Brad Buchman reported on the UC Student Health Insurance Plan (UC SHIP), a self-funded, systemwide insurance program. UC SHIP was enjoying good financial performance.

C. ***Amendments to the Clinical Enterprise Management Recognition Plan***

The Health Services Committee approved the amendments to the Clinical Enterprise Management Recognition Plan as shown in the plan document for the 2018-19 plan year.

The Committee approved this action to amend the Clinical Enterprise Management Recognition Plan, which provides performance-based, at-risk compensation to UC Health employees responsible for achieving key clinical objectives.

D. ***UC Office of the President Restructuring Effort: UC Health Advisory Committee Update***

Regent Lansing reported that the UC Health Advisory Committee chaired by Advisor Steve Lipstein discussed its evaluation of recommendations made by Huron Consulting regarding restructuring the UC Office of the President. This subject would be presented to the Board at this meeting.

E. ***Clinical Quality Dashboard for University of California Medical Centers***

The Committee received a report on inpatient quality benchmarks for all UC medical centers.

F. ***Licensing Intellectual Property for Underserved Populations***

Regent Lansing reported that UCLA Vice Chancellor John Mazziotta discussed issues around the prostate cancer drug Xtandi that was discovered and developed at UCLA. UC owns the patent and the patent license is now held by Pfizer. The cost of the drug is prohibitively high for patients in developing countries. This issue was of great concern to the University and would be further considered at future meetings. While the University wants to benefit financially from its discoveries, it also wants to ensure that these medical treatments are available to underserved populations throughout the world.

Public Engagement and Development Committee

Regent Ortiz Oakley reported that the Committee considered three items for discussion:

A. *2019 Sacramento Advocacy Plan*

The Committee had asked UC State Governmental Relations (SGR) to provide an update on plans for the upcoming year regarding advocacy for Board priorities and the upcoming transition to a new governor, along with presentations by UC Student Association President Caroline Siegel-Singh and UC Advocacy Network student ambassador Jonathan Tsou. SGR would hold a series of Sacramento and campus-based events throughout the year and Regents were encouraged to attend events at campuses near them. Each UC campus would have its own advocacy day in Sacramento. Regent Ortiz Oakley noted the importance of these efforts, as voices of other UC stakeholders in addition to those at SGR and the UC Office of the President were needed to echo the goals and concerns of the Regents and to bring the great work of UC to the attention of those in Sacramento. Regents would be contacted as needed to engage with members of the Legislature throughout the year.

The Committee would hold an off-cycle meeting in the spring at a UC campus to be determined.

B. *Community Outreach and Impacts, Merced Campus*

Chancellor Leland and representatives of UC Merced community engagement programs provided an update on the tremendous progress taking place at that campus and its direct engagement with the community. The mayor of Merced spoke of the partnership between the campus and the community. Regent Ortiz Oakley encouraged Regents to visit UC Merced.

C. *University of California Market Research Study*

Interim Senior Vice President Holmes reported on the University of California market research study with results similar to previous studies. The study showed strong support for UC, albeit with growing perceptions that UC was becoming too costly for many Californians, concern about inequality and social mobility, and that UC was not focused enough on California.

The Regents would receive more information on the study and a summary of key messages that Regents could use when speaking with policy makers about the University. The Committee requested that Ms. Holmes return at a later date to discuss implementation efforts and coordinating advocacy among her office, UC's Office of State Governmental Relations, and UC's ten campuses.

Investments Subcommittee

Regent Sherman reported that the Subcommittee considered two items for discussion:

A. *Development of New Investment Product: Blue and Gold Endowment*

Regent Sherman said the proposed new investment product, the Blue and Gold Endowment, was conceived to earn a higher return than the Total Return Investment Pool and be more liquid than the General Endowment Pool, to provide UC campuses a low-cost, liquid, diversified investment vehicle. This product would be developed in collaboration with the Office of the President, the Chief Financial Officer, and the Chief Investment Officer. The Blue and Gold Endowment would invest in the most liquid and transparent investments available that provide appropriate market exposure, at the lowest possible expense, in order to provide the opportunity for immediate withdrawal of funds by an investor. Regent Sherman said this product's returns could add significant funds to the campuses. The goal was to have this product operative within the upcoming year.

B. *Update on Investment Products*

Regent Sherman reported that the investments managed by the Office of the Chief Investment Officer (CIO) performed very well for the fiscal year ending June 30, 2018. The CIO would provide a report to the full Board later that day.

National Laboratories Subcommittee

Regent Tauscher reported that the Subcommittee considered two items for discussion:

A. *National Laboratories Update*

Regent Tauscher said Vice President Budil had provided an update on the National Laboratories.

B. *Update on Triad National Security, LLC*

Regent Tauscher recalled that in June the National Nuclear Security Administration (NNSA) announced that it had awarded the follow-on Los Alamos National Laboratory (LANL) management and operating contract to Triad National Security, LLC (Triad), a partnership among UC, Battelle Memorial Institute, and Texas A&M. In July, the NNSA initiated the period of transition, which would run through October 31. The first Triad Board meeting was held.

LANL Director Designate Thom Mason updated the Subcommittee on the transition, which he said was going well.

6. **UNFINISHED BUSINESS**

[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.]

Technical Amendments of Standing Order 105.1 – Organization of the Academic Senate, and Bylaw 40.3 – Special Provisions Concerning Faculty; and Rescission of Standing Order 103.10 – Security of Employment, Concerning Senate Membership for Lecturers with Potential for Security of Employment and Lecturers and Senior Lecturers with Security of Employment

At its meeting of July 18, 2018, the Governance and Compensation Committee recommended that the Regents:

- A. Amend Standing Order 105.1 – Organization of the Academic Senate, as shown in Attachment 1.
- B. Amend Bylaw 40.3 – Special Provisions Concerning Faculty, as shown in Attachment 2.
- C. Rescind Standing Order 103.10 – Security of Employment in its entirety as shown in Attachment 3.

Chair Kieffer explained that at the July meeting notice had been given of proposed changes to the Bylaws and Standing Orders to conform certain academic titles and eligibility for membership in the Academic Senate to the Academic Personnel Manual (APM).

Regent Ortiz Oakley asked about concerns raised in the prior day's public comment session and whether the proposed changes would affect the diversity of UC faculty and hiring pools. Faculty Representative May explained that the proposed changes were only a technical adjustment that would have no effect on faculty diversity. The proposed changes were discussed at length and approved by the Academic Senate. The affected faculty, Lecturers with Potential or with Security of Employment, had always been members of the Academic Senate. The Regents' Bylaw distinction between full-time and part-time in this category would be eliminated. For example, a faculty member who changed to 50-percent-time employment would remain a member of the Academic Senate.

Faculty Representative May explained further that the group referred to in public comment the prior day was Unit 18 lecturers who are represented by a union, a completely different group of faculty who are not ladder-rank.

The Academic Senate considered whether to change the title of the affected faculty to something like Teaching Professors, and decided that campuses could opt to use that terminology informally and several campuses had done so. But officially within the APM, this group of faculty would continue to be referred to as Lecturers with Security of Employment, which is comparable to tenured faculty, or Lecturers with Potential Security of Employment, comparable to untenured ladder-rank faculty.

Regent Ortiz Oakley asked if the Academic Senate was responding to the concerns of the union-represented lecturers. Faculty Representative May said those lecturers had not reached out to the Academic Senate, which had not had contact with them to date. Regent

Ortiz Oakley asked that the Academic Senate contact the union-represented lecturers to ensure that their concerns were heard and responded to. Faculty Representative May said he would do that.

Regent Butler observed that correspondence sent to the Regents from the lecturers represented by the American Federation of Teachers had indicated ongoing conversation. Faculty Representative May confirmed that there had been no conversation between the union and the Academic Senate on this matter. Regent Butler recalled that a public commenter the prior day had requested that no vote be taken on this matter until discussions had concluded. She asked what effect taking this vote would have on ongoing discussions. Faculty Representative May expressed his view that there would be no impact, as this item involved Academic Senate membership for those lecturers who had always been members of the Academic Senate. The primary responsibility of this group of faculty is teaching and they do not have the same requirements for research that other ladder-rank faculty have. On the other hand, Unit 18 lecturers are not members of the Academic Senate. They have a desire to be members of the Academic Senate, but that had not been discussed. Chair Kieffer asked that the Academic Senate discuss this issue with the Unit 18 lecturers.

Regent Estolano asked if by approving this action the Regents would remove any current members of the Academic Senate. Faculty Representative May confirmed that this action would make no change in the membership of the Academic Senate.

Regent-designate Weddle asked if UC tracked any racial demographic information for lecturers who are not members of the Academic Senate. Faculty Representative May answered in the affirmative and commented that those lecturers were less ethnically diverse than ladder-rank faculty, but have more gender diversity.

In accordance with notice previously served and upon motion of Chair Kieffer, duly seconded, the amendment of Standing Order 105.1 – Organization of the Academic Senate, as shown in Attachment 1, the amendment of Bylaw 40.3 – Special Provisions Concerning Faculty, as shown in Attachment 2, and the rescission of Standing Order 103.10 – Security of Employment in its entirety, as shown in Attachment 3, were approved.

7. **UNIVERSITY OF CALIFORNIA’S NATIONAL LABORATORIES**

[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 Budil observed that she had been involved with UC’s National Laboratories enterprise for her entire career, beginning with her work as a graduate student. She emphasized the important role the National Laboratories had played at UC, and the important role UC had played in the history of these institutions, which draw many of their qualities as research and development institutions from their relationship with the University of California. Similarly, UC’s teaching and research enterprise had benefited from its longstanding stewardship of three National Laboratories, the Lawrence Berkeley National Laboratory (LBNL), where UC is the sole management and operating entity, and

the Lawrence Livermore National Laboratory (LLNL) and the Los Alamos National Laboratory (LANL), which are managed by limited liability companies in which UC is a major partner.

LBNL, located on the hill above the UC Berkeley campus, is a premier scientific laboratory pursuing basic and applied research across a range of fields, including biosciences, energy and environment, high-performance computing, material science, and physics. LBNL currently employs about 3,200 staff and has an annual budget in excess of \$800 million. Its primary sponsor is the Department of Energy's (DOE's) Office of Science.

UC's other two affiliated laboratories are sponsored primarily by the DOE's National Nuclear Security Administration (NNSA) and are multi-programmatic national security Laboratories with the core mission of ensuring the safety, security, and reliability of the United States' nuclear deterrent. Their research scope is extremely broad, from basic research through applied research and technology development. They both tackle a broad range of national security challenges, including nuclear nonproliferation, counterterrorism, bio-security, energy security, and climate and environment science.

LANL, on 40 square miles in northern New Mexico, was established in 1943 as the home of the Manhattan Project and was celebrating its 75th anniversary. LANL currently employs about 11,700 and has an annual budget in excess of \$2.1 billion. LLNL was established in 1952 as a second nuclear design physics laboratory to provide a peer competitor to LANL. LLNL currently has about 6,500 employees and an annual budget of more than \$2 billion. The LLNL main site is one square mile and it also operates an experimental test facility 30 miles east of its main site. LANL and LLNL are currently managed by similar partnerships, with UC partnering with Bechtel, BWX Technologies, and AECOM. At LLNL, UC also has a subcontract with the Battelle Memorial Institute (Battelle). On November 1, UC's new partnership, Triad National Security, a partnership of UC, Battelle, and Texas A&M University, would take over the management of LANL. In total, UC's three National Laboratories employ more than 20,000 people and have a total annual budget of more than \$6 billion.

Ms. Budil explained that the three UC-affiliated Laboratories were Federally Funded Research and Development Centers (FFRDCs), which were created to serve roles in support of the federal government, where the unique expertise required was better managed by an outside entity, either a university or an industrial partner. FFRDCs were created to work in the public interest, to provide unbiased technical advice, and research and development solutions, and to operate free from conflicts of interest or commercial interests. The government determines areas of focus for the Laboratories, and the Laboratories determine how to approach these important problems. The Laboratories are built around multidisciplinary team science, in the tradition of UC's Professor Ernest O. Lawrence, whose legacy is felt across the entire National Laboratory complex. Because of their important role in providing unbiased technical advice on very challenging national and global security issues, there is a premium on the quality and integrity of the Laboratories' intellectual environment, which UC takes as an important aspect of its oversight. Quality is maintained by rigorous technical peer review and competition of

ideas. The DOE network of 17 National Laboratories is an important part of U.S. scientific and technological leadership worldwide. The National Laboratories also sponsor major user facilities. Ms. Budil briefly recounted the history of the three UC-affiliated National Laboratories. The heritage of UC's National Laboratories is a tribute to the power of large, multidisciplinary teams to tackle the most difficult technological challenges facing the world, a spirit of innovation and embrace of new ideas, and a quest to push to technological extremes.

Ms. Budil summarized the areas of research of the three UC-affiliated National Laboratories. In energy, the Laboratories develop new technologies such as new materials for advanced fuel cells, innovative approaches for the development of biofuels, and fusion research. The Laboratories' national security missions are centered around their historic role in nuclear stockpile stewardship and securing nuclear materials worldwide, developing technologies for nonproliferation and counterterrorism, and pursuing research to counter weapons of mass destruction and other defense technologies. All three Laboratories have large programs in the fields of health and environment, in areas as diverse as understanding the dissemination of disease networks, development of new vaccines, bio-detection for urban areas, and in pioneering the first global climate models and leading understanding of the changing global climate and the impact of humans on climate. The Laboratories approach these large issues by bringing together unique expertise, facilities, and capabilities.

In addition to their own high-quality workforce, the Laboratories rely on partnerships and collaborations with the broader academic community and industry. UC plays an important role as an academic reservoir to support the Laboratories' programs. The Laboratories' unique facilities include LLNL's National Ignition Facility, the world's largest and most energetic laser, attempting to create fusion ignition.

LBNL's long history of scientific leadership includes 13 Nobel Prize winners, 15 recipients of National Medals of Science, one National Medal of Technology and Innovation, 39 active members of the National Academy of Sciences, 14 active members of the National Academy of Engineering, 36 active fellows of the American Academy of Arts and Sciences, and more than 60 active fellows in the American Association for the Advancement of Science. LBNL scientist Professor Arthur Rosenfeld created the field of energy efficiency and was largely responsible for the fact that California's energy usage had stayed flat while the rest of the nation's had grown dramatically over the past three decades.

LBNL hosts a number of large-scale user facilities accessed by more than 10,000 researchers from around the world each year. These include the Advanced Light Source, a soft x-ray synchrotron facility. The Joint Genome Institute, created as part of the project to map the human genome for the first time, currently resides in Walnut Creek, but would be moved soon into a new facility built by the DOE on the main LBNL site on the hill above UC Berkeley. LBNL's National Energy Research Scientific Computing Center, the DOE's largest unclassified open scientific user facility for computing, is accessed by nearly 8,000 users per year. LBNL also operates the network that allows data and

simulations to move among sites around the world to facilitate science promoted by the Office of Science.

Ms. Budil highlighted the interplay at LLNL between basic research and the Laboratory's national security mission. For example, for the Mercury Messenger probe mission, LLNL developed a gamma-ray spectrometer to help understand the composition of the planet. Similar technology was used to develop hand-held gamma-ray spectrometers for use by inspectors looking for nuclear materials. LLNL's Precision Reactor Oscillation and Spectrum Experiment (PROSPECT) antineutrino detector allows remote monitoring of nuclear reactors. LLNL was involved in a new partnership to use high-performance computing to address biomedical problems such as cancer treatment, drug development using simulations, and traumatic brain injury and treatments. Similar technologies provide the foundation for the stewardship of the U.S. nuclear deterrent without underground nuclear testing. A team at LLNL has worked with a team in Russia for many decades discovering new heavy elements and the LLNL team also works on nuclear forensics.

LANL has engaged in significant efforts to apply computer simulations in biomedicine, for instance accurately tracing the origins and predicting HIV transmission through populations. Simulations have also been used to understand how Ebola and Zika viruses can infiltrate a host cell. LANL scientists, like those at the other UC-affiliated National Laboratories, generate a large number of peer-reviewed articles in high-impact publications.

Ms. Budil explained that UC earns fee income for managing LANL and LLNL, and a more modest fee at LBNL. This income supports the UC National Laboratory Fees Research Program, which has awarded more than \$150 million in research awards across the UC system since 2008. Each funded project has to include campus participation, typically faculty and students, who play an important role, moving between the University and the National Laboratories. The scale and scope of the awards has been expanded to require multiple campus participation along with National Laboratory researchers. Areas for funded research include those of strategic importance to the Laboratories' large-scale research programs and those that will uniquely position the University for other funding opportunities.

Regent Tauscher invited the Regents to visit the Laboratories. She commented that the Laboratories' nuclear stockpile stewardship was developed in the 1990s after nuclear testing was stopped, and was based on advanced computing. Ms. Budil added that each year the directors of LANL, LLNL, and Sandia National Laboratory write a letter to the Secretaries of Energy and Defense containing their assessment of the current state of the nuclear stockpile and whether there is a need to return to nuclear testing, and any emergent issues regarding the stockpile. Those letters form the basis of the U.S. President's important decision on whether there is a need for nuclear testing.

Regent Ortiz Oakley expressed pride in Ms. Budil's leadership of the nation's largest system of National Laboratories. He asked about China's having the world's fastest super-computer and whether the United States would catch up in the near future. Ms. Budil noted

that China's current top supercomputers were developed entirely with Chinese technology and engineering. The DOE had launched a new program, the Exascale Computing Project, to make current computers that are operating in the realm of 100 petaflops ten times faster. However, she explained that the most important measure for these computers is not just speed, but the ability to run needed calculations. The U.S. is pursuing technologies other than simply increasing speed, including applications of machine learning and data science to inform simulations. She anticipated that UC-affiliated National Laboratories' computers would continue to be among the top three fastest computers in the world. LLNL would have one of the first exascale computers in the early 2020s.

Regent Estolano noted the diversity and breadth of research funded through the UC National Laboratory Fees Research Program and asked about one of the program's topical calls for research on Political, Conflict and Stability in Dynamic Networks. Ms. Budil said that the National Laboratories had a long history of working with UC's political science community across the system to help understand the international environment and the policy context within which the Laboratories work. The Laboratories provide technical support to policy-makers and ensure that the political science community remains represented in the research enterprise. An emerging field is the use of big data modelling and simulation in the social sciences. Regent Estolano asked how the Laboratories decide on the research areas for funding. Ms. Budil said ideas come from the Vice Chancellors for Research group, from each National Laboratory, from members of the Academic Senate, and from Ms. Budil's discussions with campus researchers.

[At this point Regent Rendon joined the meeting.]

Regent Escolano asked if Ms. Budil anticipated an increase in fee income under the new Triad contract. Ms. Budil responded that the new fee structure would be less complicated, but the anticipated fee earned would be about the same.

Chair Kieffer expressed pride in the University's management of the National Laboratories.

8. **UC HEALTH OVERVIEW**

[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 Vice President Stobo introduced this overview of UC Health by reviewing the history of the academic health system. Before 1900 in the United States, there were about 250 stand-alone medical schools operated for profit with no significant relationship with either a university or a hospital. Around this time, visionary university presidents understood the poor quality of medical education and worked to bring medical education into the mainstream of higher education. Medical schools were brought into relationship with universities and gradually improved. At that time, teaching hospitals were not part of medical education, but gradually hospitals became an integral part of medical education and became known as teaching hospitals. This began a symbiotic relationship between

hospitals and medical schools that benefited both. Medical schools had access to the laboratories, clinics, and patients that were critical to their teaching, and teaching hospitals had access to renowned professors who enhanced the hospitals' reputation. The triad of a school of medicine in partnership with a teaching hospital under the auspices of a university has stood the academic health systems in good stead for more than 100 years. Graduate medical education was expanded after 1920. In the 1940s, the government began providing funding for research conducted by universities and academic health centers. Beginning in the 1970s, revenue could be generated by the development of clinical services, largely as a result of the development of Medicaid and Medicare. This led to expansion of clinical medical services primarily by schools of medicine, and the revenue generated by providing clinical services surpassed the revenue of medical schools' research grants. This led to a large increase in the number of clinical faculty in schools of medicine.

The most recent phase in the development of academic health education began in about 2000 when, after a remarkable century of growth and development, signs of stress began to appear in academic health systems. Reimbursement from public and private payers decreased and created stress for academic medical centers between their public mission to address the health needs of the medically underserved and their need to be financially stable. Emphasis on the delivery of value-based care increased, and medical service providers were being asked to take financial risk for the care provided. There was rapid consolidation of providers into large systems. There was increasing stress for faculty in balancing their tripartite missions of research, education, and clinical services. Health policy was unpredictable. Rising health care costs mean that health care is rapidly becoming unaffordable. The annual national health expenditure is currently greater than \$3 trillion, 17 percent of the gross domestic product, and nearly \$12,000 per capita, the highest in the world and twice the average of other fully developed countries.

The 150 academic health systems in the U.S. and their associated hospitals account for only five percent of all U.S. hospitals. However, their contributions are much larger than their size and number, since they provide 20 percent of the hospitalizations, 45 percent of the charity care, 70 percent of burn units, educate 75 percent of residents and 85 percent of medical students, and conduct 50 percent of the research funded by the National Institutes of Health (NIH).

The five academic health systems that are part of the University of California together represent the largest publicly owned health system and the largest system of medical education in the U.S. They educate 50 percent of the physicians in California, provide graduate medical education for 50 percent of California residents, and are the state's largest provider of high-end, complex clinical care. UC Health includes five medical centers with 12 hospitals and 18 health professional schools in medicine, nursing, pharmacy, dentistry, public health, optometry, and veterinary medicine on seven of UC's ten campuses. The quality of the components of UC Health is exceedingly high. *U.S. News and World Report* ranked UCSF and UCLA hospitals first and second in California and UC hospitals rank in the top 11 in the state.

The revenues associated with UC Health are large, representing 48 percent of the overall revenues of the University, when including clinical revenues, faculty practices, and UC Health research revenue. Similarly, staff and faculty associated with UC Health represent close to 50 percent of UC's total staff and faculty. UC Health is growing at a rate twice that of the rest of the University. Its quality, size, and rate of growth mandate that UC Health be carefully managed so that it continues to be successful.

UC schools of medicine are involved in conducting research and education, and some also have a clinical practice arm. In the school of medicine a large segment of the faculty spend all or part of their time providing clinical services as part of an organization called the faculty practice. This combination of the health system with the health professional schools under the umbrella of the University represents the UC academic health system. The symbiotic linking of the UC health system with the academic mission of the University differentiates UC's health system from systems such as Kaiser, Sutter Health, or Dignity Health, and others.

Dr. Stobo explained that the UC Health divisional office is one of the 11 offices in the UC Office of the President that reports directly to the President. The responsibilities of the UC Health Division Office lie in three areas: to help UC's health professional schools and medical centers work together as a system; to oversee management of the UC self-insured health plans for 180,000 UC employees and their dependents, in partnership with UC's Human Resources; and to provide medical oversight of the 11 student health centers and the Student Health Insurance Plan (SHIP), in conjunction with the Office of Risk Services and the Vice President of Student Affairs.

Dr. Stobo briefly reviewed the history of UC Health since its inception in 2008 at a time when some UC medical centers were underperforming and operating at a financial loss. UC Health was created by combining the prior offices of Health Affairs, which oversaw research and education, and Clinical Services Development, which oversaw the provision of clinical services. In 2008, the concept of "systemness" was initiated, through which UC's medical schools and health systems are brought together to create something greater than the sum of its parts, for example by enabling the system to contract with managed care companies, which in its most recent contracting period yielded incremental income of \$1 billion over three years.

In 2011, UC Health launched a systemwide effort, established with funding from the medical centers, to improve quality throughout UC Health. After six years, the return on investment by the medical centers was four-to-one, a cost savings of roughly \$18 million and increased revenue of \$42 million over that period. Most notably, the effort had a dramatic impact on improving quality throughout the system.

In 2012, at the Regents' direction, UC Health assumed medical oversight of UC Student Health Centers and SHIP. In 2015, UC Health began its systemwide Leveraging Scale for Value, cost-reduction initiative, which has since achieved systemwide savings of close to \$1 billion. In 2016, the Regents reconfigured the Health Services Committee to allow UC Health to operate in a more strategic, focused, and scrutinized fashion, with added expertise

from outside advisors. UC Health established a Medi-Cal Master Services Agreement in 2016 between all UC components and the three largest plans in southern California that deliver services to Medi-Cal patients, to better align the cost of providing services to this population with reimbursement amounts. In 2017, UC's Cancer Consortium was created, with UC's five NIH-designated cancer centers coming together to pool their clinical research and trials.

In 2017, Huron Consulting was engaged by President Napolitano, in part to ensure that the UC Health central office was structured to allow UC Health to continue to be successful. In 2018, UC Health assumed increased financial risk for UC's employee health insurance plans, while guaranteeing an affordable, predictable year-over-year increase in premiums. Over the past ten years, UC's medical centers have been extraordinarily successful both financially and in the services they provide. They are currently able to provide funds that capitalize their programs and the development of clinical services, as well as funds to help the programmatic growth of their research and educational missions.

Dr. Stobo acknowledged that UC Health is challenged by a highly competitive environment characterized by declining reimbursement, unpredictable health policy, and growing market and payer expectations. The consolidation and rapid expansion of other health systems makes it clear that size, solid financial performance, and increased emphasis on quality and accountability would be the measures of success. This new environment requires scale, systems integration, agility, and rapid, but strategic, innovation. The UC Health office is a catalyst necessary to meet these challenges while maintaining UC Health's tripartite missions. Dr. Stobo affirmed that the opportunities for UC Health were also great, particularly given the enormous intellectual capacity within the UC Health system and its insatiable commitment to quality.

Chair Kieffer emphasized that the consideration of UC Health would be an important issue for the Regents in the upcoming year.

Regent Graves asked whether patient outcome data were evaluated in relationship to race and what training regarding implicit bias was being provided for medical faculty, clinicians, and students. Dr. Stobo stated that all UC medical schools were attuned to this issue and were aware of the special needs of different populations. UC Health can analyze data in relationship to race. Dr. Stobo expressed his view of the importance of diversifying the graduates of UC medical schools, to mirror the population UC is committed to serving. Regent Graves asked that a UC medical school dean provide a presentation at a future Health Services Committee meeting about implicit bias training for UC faculty.

Regent Sherman asked about the financial support the UC Health system provides to its medical schools and about the composition of its medical center patients, which he said was vastly different from that of California's for-profit medical systems, and for whom UC provides an enormous public benefit. Dr. Stobo agreed that it is important to consider the responsibility of all health systems to address the health needs of medically underserved populations. At the present time, this responsibility is disproportionately borne by only a few health systems. UC must balance its responsibility to provide such services with its

need to be fiscally responsible and stable. Some health systems in California do not do their fair share, but that issue must be addressed by policy-makers.

9. **UCOP RESTRUCTURING EFFORT: UC HEALTH ADVISORY COMMITTEE UPDATE**

[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.]

President Napolitano introduced this discussion by reminding the Regents that the prior year the UC Office of the President (UCOP) retained Huron Consulting Group, Inc. (Huron), which advises many higher education institutions, to review the overall structure and staffing of UCOP. Huron suggested considering separating both the UC Health and the Agriculture and Natural Resources divisions of UCOP each into their own fiscal and governance locations. As those recommendations would involve significant changes, President Napolitano convened small committees to evaluate them, consult with stakeholders, and make recommendations to her.

Steven Lipstein, Advisory member of the Health Services Committee and chair of the UC Health Advisory Committee commented that the Advisory Committee consisted of Regent Sherman, Chancellors Khosla and May, Faculty Representative May, UCSF Health Chief Executive Officer Mark Laret, Dean Kelsey Martin, Executive Vice President and Chief Operating Officer Nava, and Executive Vice President Stobo. The scope of the Advisory Committee's work was to consider the Huron recommendations relating to the UC Health Division Office at UCOP. The most substantive of Huron's recommendations involved whether the UC Health office should continue to reside within the Office of the President or be separated into a virtual location for purposes of management, governance, and financial activities. Other Huron recommendations involved whether the administration of the self-funded health insurance plans and the clinical oversight of student health and counselling should remain within the UC Health division or would be better positioned elsewhere within the Office of the President.

Mr. Lipstein pointed out that the UC Health Division Office, with an operating budget of just over \$20 million, is a relatively small part of the Office of the President. About \$4 million of UC Health Division Office's funding comes from State General Funds, another \$4 million comes from premiums paid for the self-funded health insurance plans for administration of those plans, and \$12.5 million comes from UC health systems. The activities funded by the health systems are collaborations among campus health systems that they would otherwise be unable to carry out as effectively and for which they achieved a return on their investment.

Mr. Lipstein stated that it was important for the Regents to appreciate that the growth of UC's clinical enterprise was stimulated by the Affordable Care Act and its expansion of the Medi-Cal program and the increased number of people with access to health insurance. The rate of revenue and staff growth of the health care delivery enterprise had grown to twice that of the rest of the University. If these trends were to continue, by 2032 the revenue

to UC from clinical activity would be as much or more than all other revenue sources combined.

Mr. Lipstein recalled the financial pressures cited earlier by Dr. Stobo. He explained that Medicare pays UC not only for services that UC delivers to Medicare beneficiaries, but also substantial additional funds to support the cost of medical education and other funds to support UC's role in disproportionately serving the poor and uninsured. The Medicare program would encounter turbulence during the 2020s because of the number of aging "baby boomers," persons born during the demographic post-World War II "baby boom," compared with the number of working adults supporting the program with their tax payments. In preparing for this significant change in their funding models, health systems including UC Health are expanding through additions and consolidation. Talent would migrate to dominant systems like UC, which was currently able to generate excess cash flow that can be used to renew its patient care infrastructure, and to support UC's research and teaching missions. Flexibility and agility would be required in this rapidly changing market.

Mr. Lipstein said the Advisory Committee considered existing challenges to the UC Health Division Office within the Office of the President. Recently, limitations were placed on the Office of the President operating budget and staffing. The Office of the President was established and resourced for the important work of providing systemwide leadership for the University in the context of University policies, compliance, and services. However, the resources and leadership required for a healthcare delivery enterprise involve different policies, compliance requirements, and required services. The Office of the President's Major Projects and Initiatives Process and the UCOP Career Tracks and Recruiting were not necessarily responsive to the needs of a healthcare delivery function within the Office of the President.

The Advisory Committee sought input from stakeholders, including UC chancellors, medical center chief executive officers, health science deans, health care task force members, UCOP administrators, Student Health Center and Counseling and Psychological Services directors, and UC Health Advisory Committee members, about the perceived risks and benefits of the Huron options and received presentations from UCOP subject-matter experts. The Advisory Committee sent its draft Findings and Recommendations back to stakeholders for their response.

Mr. Lipstein highlighted the Advisory Committee's guiding principles. It was important to position the UC Health Division to enable UC's six academic health systems and 18 health professional schools to achieve collaboratively what they would otherwise be unable to achieve working independently of one another. The potential systemwide benefits must be balanced with respect for campus uniqueness, authority, and control. It was also important to build toward a structure for UC Health that would be adaptive and responsive in a dynamic period of change in American health care.

Mr. Lipstein discussed the Advisory Committee's 13 draft recommendations. The Committee recommended that the UC Health Division remain a division of UCOP and not

be moved to a separate location. He explained that, when evaluating the option of a separate location for the UC Health Division Office, questions immediately arose about the structure, governance, and duplication of current UCOP bureaucracy. These issues would be difficult, and would not address the major challenges faced by UC Health.

In order to allow UC's health systems to develop and execute strategies to bring about greater collaboration, the Advisory Committee recommended that the UC Health Division remain within UCOP, but be separated into two subdivisions, the first funded by State General Funds or by fees charged by self-funded health insurance plans, and the second funded solely by the UC campus health systems. Because those activities would be funded completely by the health systems, the Advisory Committee further recommended that those budgets and staff not be subject to the same constraints on budget and headcount as the first subdivision and the other UCOP divisions.

Aside from that change, the Advisory Committee recommendations were consistent with current practices. Both subdivisions would continue to be located within UCOP reporting to the Executive Vice President who would continue to report to the President of the University. Both subdivisions would be guided by the UC Health Strategic Plan, which would be reviewed and updated at least annually with stakeholder input. Both subdivisions would continue to follow UCOP policies and procedures with the notable exception of lifting the budget and headcount constraints on the second subdivision and, importantly, that staff leadership within UCOP be adaptive and flexible in applying policies and procedures differentiating the collaborative activity of the second subdivision from other activities within UCOP, so that the second subdivision could be responsive to the rapidly changing healthcare environment.

The Advisory Committee was not recommending any structural changes to the activity or responsibilities of the Regents, the Health Services Committee, or UCOP, or to the Regents' oversight. Currently all activities within the UC Health Division of UCOP were subject to UCOP budget and full-time equivalent (FTE) restrictions. The second subdivision, tentatively called the UC Health Care Collaborative, would not be constrained as to budget and FTE. Both subdivisions would be subject to existing authorities of the Health Services Committee and the Board of Regents.

The Advisory Committee recommended no changes to existing governance. The UC Health Division, the medical centers, and the health professional schools would be governed as they were currently, and the Executive Vice President (EVP) – UC Health would continue to report to the President of the University. There would also be no changes to existing structures on the campuses. The UC Health professional schools and medical centers would continue to be aligned organizationally with the campuses where they reside, with no changes to the current governance, management, reporting relationships, and authorities.

The Advisory Committee made three recommendations related to transparency and accountability. It recommended more frequent, structured, and systematic involvement of the UC Health Division with the chancellors of the six campuses with academic health

systems. The Advisory Committee also recommended that the UC Health Division leadership team separate its budget into separate parts for subdivisions one and two, which Mr. Lipstein said would increase funding transparency. The EVP – UC Health should also provide an overview of UC Health’s strategic plan related to the UC Health Care Collaborative, and provide quarterly updates thereafter to coincide with Council of Chancellor meetings. The UC Health Division Office should move as soon as possible toward the goal in its strategic plan to complete an organizational review and staffing plan that would outline needed positions with funding apportioned between subdivisions A and B, for tracking, transparency, and accountability of sources and uses of funds for each subdivision.

The Advisory Committee made three recommendations regarding improved operational effectiveness, addressing specific identified deficiencies either in the Major Projects and Initiatives approval process or in human resource-related activities associated with staff recruitment and retention. The leadership team at UCOP had already increased the Major Projects and Initiatives threshold amount per project or initiative, and a health care personnel recruiter had been hired during the Advisory Committee’s deliberations. The Advisory Committee recommended carefully monitoring whether changes implemented actually solve the related problems and that there be accountability back to the President before the end of the current fiscal year, assessing whether further changes would be required to make these processes more responsive to the needs of the UC Health Division.

The Advisory Committee’s last three recommendations involve UC’s self-funded health insurance plans and UC Student Health and Counseling. The Committee recommended no change to existing reporting relationships, so the administration of the self-insured health insurance plans and clinical oversight of UC Student Health and Counseling would continue to remain inside the UC Health Division subdivision one. Mr. Lipstein said that, while it was outside the Advisory Committee’s scope and charter, the Committee agreed that it was currently a good time for UC to evaluate its employee health plan structure and offerings to make sure that they are not only consistent with contemporary plan design, but also with the evolving ways health benefits are being offered across the United States. Mr. Lipstein characterized UC’s employee health plans as strong and with many offerings. The UC health plan providers, except for Kaiser, were being asked to assume increasing financial risk, but most providers do not feel they have the resources and tools to manage that risk.

From its stakeholder surveys, the Advisory Committee heard of the increasing student demand for mental health services. UC was not alone in experiencing this increase in demand, which was occurring across the nation’s universities. Mr. Lipstein said the United States does not have the human asset capacity to respond to the increased demand. UC is struggling to achieve approved levels of staffing for counselling and psychological services. The Advisory Committee recommended listening and learning sessions for key stakeholders involved in resolving this problem for the benefit of UC students, and that President Napolitano establish a mandate to develop and implement a coordinated action plan to address these concerns through a collaborative solution among the campuses, UCOP, UC Health, and the Student Health and Counselling Centers.

Mr. Lipstein concluded by saying that these draft recommendations could be amended as a result of feedback from the Regents before final recommendations were submitted to President Napolitano the following week.

Chair Kieffer reminded the Regents that the individual campus medical centers evolved independently of one another, and had only in recent years been organized as a system under UC Health to gain benefits of working as a system. Chair Kieffer asked Mr. Lipstein to clarify the existential threat to UC Health and the corresponding opportunity.

Mr. Lipstein explained that the UC Health systems have the opportunity to continue to be the leaders in academic medicine that they are currently. Chair Kieffer asked why UC was well-positioned, given the existing threats Mr. Lipstein had described earlier. Mr. Lipstein said UC has financial and physical assets, but its human assets, UC hospitals' physician faculty and staff, are its major differentiating characteristic.

Regent Lansing commented that the gradual transition from UC's medical centers seeing themselves separately to the current more collaborative system was enthusiastically supported by the medical center chief executive officers, who realized that they could increase their effectiveness by acting as a system. UC attracts the best physicians, researchers, and administrators because of the caliber of the people with whom they can work.

Regent Park expressed appreciation for the process undertaken by the Advisory Committee to solicit feedback in shaping its recommendations. While there was still some uncertainty about the effect of dividing UC Health into two subdivisions, she noted the rapid pace of change in health care and medical research, and the urgency of these considerations.

Regent Leib asked if the proposed structure would allow UC Health sufficient flexibility to set salaries. Mr. Lipstein commented that some Career Tracks used within UCOP were developed without consideration of qualifications and experience of those working in health care. Because of the immediate need to staff consistent with the UC Health Strategic Plan, the Advisory Committee recommended that until UC adds healthcare qualifications to the library of job standards within UCOP, UC Health be allowed to use some of the Career Track information from UCSF, UC's only all-healthcare campus. The new structure would be tried and evaluated to see if it met its objectives.

Chair Kieffer added that the Regents would have to determine what level of authority the Health Services Committee would have to approve compensation.

Regent Cohen agreed that the future of UC Health was critical to the future of the University as a whole. He expressed his view that the report of the Advisory Committee lacked a definition of the specific problem to be addressed, other than UC Health's general need for increased nimbleness. He would like more information about current restraints and their influence on operations of UC Health. Without a specific definition of the problem, it would be difficult to evaluate the proposed solution. Mr. Lipstein commented that, as the health system experiences changing reimbursement or changing demographics

across California, being able to respond quickly would require a nimble bureaucracy to make decisions. He agreed that it would be helpful to identify more specific problems.

President Napolitano commented that in the future as a result of changed circumstances, UC Health could face an immediate need to add staff in a certain area, but was currently constrained because all of UC Health is held under UCOP. Having a collective funded by the medical centers and budgeted separately would allow UC Health to be more responsive to changing labor needs.

Regent Cohen expressed understanding that UCOP's flat budget would make it hard to maneuver. However, UC Health's staffing needs for the upcoming year could be identified and addressed within the existing structures of the State budget and UC's budget.

President Napolitano pointed out that the UCOP head count was being held flat. If activities funded by the health centers needed to increase to meet changing circumstances, then UCOP would have to make cuts elsewhere. She recommended against that course. Regent Cohen said the State budget had numerous mechanisms for adjusting to unanticipated circumstances. He expressed concern about moving from a controlled environment to one completely free, particularly when health system governance was still somewhat in flux.

Chair Kieffer observed that the Regents would have to address compensation in these two different environments and determine how a board as large as the Board of Regents can best oversee the UC Health system. Mr. Lipstein said there would be a system of checks and balances over subdivision two, the UC Health Care Collaborative. The Advisory Committee attempted to build in greater transparency and accountability without specifically prescribing a future staffing plan. Based on UC Health's current Strategic Plan, staff would need to increase. Specific aspects of that future growth into the 2020s and beyond were included in the Appendix of the Advisory Committee's Report.

Regent Anderson asked how the University would protect itself from the financial risk of UC Health as it grows and becomes an ever-increasing portion of UC's total budget. Mr. Lipstein responded that this was an important concern as the healthcare enterprise becomes a bigger portion of the University. Large size in itself would not be a concern if the revenues supporting that enterprise were diverse and risk-disbursed. However, UC Health revenues were very dependent on the federal government, which was currently operating at a deficit. It would be important to be mindful of the extent of UC's dependency on public funding sources.

Student Advisor Huang asked how the strong demand for student mental health services would be addressed, particularly the need for in-person professional counseling services. Mr. Lipstein responded that all universities were facing an inadequate supply of trained counselors and psychologists.

Regent Ortiz Oakley asked if these efforts to become a more comprehensive health system would support health education and health coverage of those in the Central Valley. He also asked about potential effects of California moving to a single-payer health insurance

system. Mr. Lipstein commented that having a statewide healthcare delivery network that was either UC-provided or UC-sponsored would be a tremendous asset, for both California and the University. There would always be parts of the state that would be underserved because of their demographics. Mr. Lipstein said he was unable to predict how a single-payer health system would affect UC Health.

Regent Zettel asked how UC medical centers' acquisitions and affiliations were evaluated on an ongoing basis. Mr. Lipstein said that some of UC Health's acquisitions and affiliations were with facilities with distinguished academic reputations and some were with community hospitals in order to have a sufficient network across a broad geographic region. These require some form of consolidation and an investment by UC in the quality of clinical care and service platform. He advised the Regents to examine the pro forma of the combined entities, or what would change to make the combination of the two hospitals better than what either would be on its own.

Regent Lansing expressed appreciation for Mr. Lipstein's effort and objectivity. In response to prior questions, Regent Lansing noted that UC Health has checks and balances with regard to setting salaries. The Health Services Committee reviews salaries in great detail based on Market Reference Zones. She said it was important to hear the views of the CEOs of UC medical centers, who were actually running the hospitals very successfully in recent years, which had not been the case 20 years prior. Private hospitals were eager to hire UC physicians and administrators, and can pay them more than UC can. It was important to provide UC's medical center CEOs as much flexibility as possible to be able to keep their teams together, within UC's system of checks and balances.

Regent Lansing added that each time UC Health makes an acquisition the potential reputational risk to UC is a major concern that is evaluated, as well as exit strategies should the acquisition or affiliation not work as planned. Not all potential acquisitions are approved.

Regent Anguiano asked about the lack of operational flexibility for the part of UC revenue not from its health enterprise. President Napolitano agreed with the desirability of agility and nimbleness, but emphasized that the recommendations being considered concerned only the Health Division within UCOP, not the overall enterprise.

10. ANNUAL UPDATE ON INVESTMENT PRODUCTS

[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.]

Chief Investment Officer (CIO) Bachher reported that, when he joined UC four years prior, assets under management at the Office of the CIO totaled \$90.6 billion. As of September 1, 2018, assets under management totaled almost \$120 billion, a 30 percent increase over that time period. These assets are divided into six different products, each serving the needs of different stakeholders and constituents at UC.

Since June 30, 2014, the General Endowment Pool (GEP) had grown from \$8 billion to \$12 billion; the UC Retirement Plan (UCRP) had grown from \$52 billion to almost \$67 billion; the UC Retirement Savings Program (UCRSP) increased from \$15 billion to \$24 billion; working capital remained flat at about \$14 billion. In the last few years, the Office of the CIO assumed management of the assets of Fiat Lux, UC's captive insurance company, currently about \$1 billion.

About half of the \$118.7 billion total assets under management were invested in public equities, and one-third were invested in fixed income. These proportions vary for each investment product. Other investments, including private market assets such as absolute return, private equity, real estate, and real assets, account for 14 percent of total assets. The balance of the assets, 6.2 percent, is invested in cash. With buoyant equity markets, the Office of the CIO had been defensively positioned with higher cash balances.

Mr. Bachher discussed the \$12.3 billion GEP, which is only the endowment funds managed by the Office of the CIO, and did not include the \$8.2 billion held by UC campus foundations. The total UC endowment is about \$20.5 billion. The overall UC endowment serves 275,000 UC students, and includes 5,700 individual endowments. The GEP returned 8.8 percent annually for 25 years, 6.4 percent annually for the past ten years, and 8.9 percent for the fiscal year ending June 30, 2018. Over the past 20 years, the GEP paid out \$4.3 billion. In the past five years, inflows to the GEP totaled \$2.6 billion, from the Total Return Investment Pool (TRIP) and other pools of capital, as Funds Functioning as Endowments (FFE) to earn higher returns.

UCRP, with about 237,000 members, has assets of \$66.8 billion. Since Mr. Bachher came to UC, UCRP's funded ratio, an important measure of the health of the pension plan, had increased from 76 percent to 87 percent on a market-value basis. Executive Vice President and Chief Financial Officer Brostrom added that increasing the funded ratio of UCRP had been achieved through an important partnership between his office, the Office of the Chief Operating Officer, and the Office of the CIO. Projections under the first pension tier indicated that UC's employer contribution might have to be increased to as high as 20 to 22 percent. However, the increase in employer contribution was able to be stopped at 14 percent. Each percentage point represents \$100 million in expenditures. An innovative program borrowed from the Short Term Investment Pool (STIP) to increase funding of UCRP, at a funding rate of 1.5 percent, and earned seven to nine percent. That program added seven percent to UCRP's funded ratio. Mr. Bachher reported that UCRP had gained 8.3 percent a year over 25 years, and 7.8 percent for the fiscal year ending June 30, 2018 while being defensively positioned.

UCRP, UC's defined benefit plan, does not represent the total savings of UC employees. Employees can also save in the UCRSP, which currently held \$24.3 billion, with \$9 billion of those assets invested in Target Date Funds, \$13.7 billion in 12 core investment options, and \$1.6 billion in a brokerage window. When Mr. Bachher came to the Office of the CIO, UCRSP participants had about 160 investment choices and that number had been reduced to 16, a change he asserted made a healthier overall plan for employees making choices for

their retirements. The Office of the CIO had reduced costs in the UCRSP to an extremely low seven basis points.

UC's working capital totaled \$14 billion, \$93 billion in TRIP and \$5.1 billion in STIP, to provide operating expenses to UC campuses. Those funds are earmarked for a variety of projects. TRIP was created in 2008 with the goal of earning higher returns than STIP on operating funds that could be held for longer terms. Over the subsequent ten-year period, TRIP earned 6.8 percent a year while STIP earned 1.9 percent. For the year ending June 30, TRIP earned 4.5 percent and STIP earned 1.7 percent. Mr. Bachher commented that it was a good time to consider creating a new investment product, the Blue and Gold Endowment, as an additional option.

The assets of UC's captive insurance company, Fiat Lux, had been managed externally, but were brought in-house to be managed by the Office of the CIO. Approximately \$250 million in premiums are collected for 30 different types of insurance coverage. Overall assets currently stood at \$1 billion, having earned 1.9 percent for the past fiscal year and 1.7 percent annually for the past two years.

Mr. Bachher cautioned that investment outcomes were difficult to predict for any given year, and the financial markets were the fundamental driver of earnings. The important consideration was how the Office of the CIO operates in order to provide consistent, sustainable returns for the University. Mr. Bachher briefly reviewed the guiding investment principles of the Office of the CIO, particularly noting making use the competitive advantages of the University.

Mr. Bachher said the Office of the CIO staff had increased from 48 to 60 during his four-year tenure, with the additions of a risk team, a Treasury team, and investment fellows. There were currently four fellows in the office. The Treasury group was moved to the Office of the CIO from the Office of the Chief Financial Officer to increase the synergy of managing the University's working capital. There were 28 investment professionals when Mr. Bachher came to UC; currently there were 27. Operations staff had been 13; there were currently 12. Generally, investment offices have two operations personnel for each investment professional; the Office of the CIO has one-half an operations staff per investment professional. In the Office of the CIO, one investment professional manages an average of \$4.5 billion, much greater than the \$1.1 billion industry average.

The Office of the CIO had reduced its number of external managers from 238 to about 100 in the past four years, saving more than \$300 million in investment fees over four years. The cost of the Office of the CIO management of UC assets was only 2.6 basis points. Active management of the Office of the CIO had added \$2.1 billion in returns over the past four years, with an annualized management cost of less than \$30 million. Mr. Bachher noted the importance of the Investment Subcommittee's decisions, which his office implements.

Regent Sherman commented that these investment returns were achieved while maintaining a significant cash position, which acted as a defense in a public equity market that had enjoyed a long rally and was available to deploy in the private equity market.

Regent Pérez asked if the \$300 million saved in costs over four years was included in or in addition to the \$2.1 billion value added by the Office of the CIO's active management. Mr. Bachher responded that the cost savings were in addition to the value added.

Regent Ortiz Oakley asked how the 2.6 basis points for management fees was calculated. Mr. Bachher explained that figure represented total costs of the Office of the CIO, including salaries, benefits, annual incentive plan, rent, training, travel, excluding no cost.

Regent Ortiz Oakley asked Mr. Bachher what he saw as the biggest threat to UC's investment portfolio in the upcoming few years. Mr. Bachher commented that growing political uncertainties and resulting dynamics in the world could potentially be risks. It was important to manage risks with a focus on the University's investment objectives, such as meeting the discount rate and increasing the funded ratio of UCRP, rather than being overly aggressive to chase returns.

Regent Leib asked for a clarification of passive investment. Mr. Bachher said passive investment meant investing in the benchmark index for that investment product.

Regent-designate Um asked if Mr. Bachher thought the Office of the CIO was the right size to manage its portfolio and whether he anticipated his office's management costs to remain at the current 2.6 basis points. Mr. Bachher expressed a need to add talent at beginning levels in his office, to develop a pipeline of investment professionals. He added that his investment professionals might see a need to add more investment professionals to the office.

11. **REPORT OF INTERIM, CONCURRENCE AND COMMITTEE ACTIONS**

Secretary and Chief of Staff Shaw reported that, in accordance with authority previously delegated by the Regents, action was taken on routine or emergency matters as follows:

Approvals Under Interim Action

A. The Chair of the Board, the Chair of the Committee on Governance and Compensation, and the President of the University approved the following items:

- (1) ***Appointment of and Compensation for Claire Holmes as Interim Senior Vice President – External Relations and Communications, Office of the President***

Background

This item recommended approval under interim authority for the appointment of and compensation for Claire Holmes as Interim Senior Vice

President – External Relations and Communications, Office of the President, at 100 percent time, with an annual base salary of \$320,000, effective July 1, 2018 through June 30, 2019, or until the appointment of a new Senior Vice President – External Relations and Communications, whichever occurs first. Presenting the request at the July 2018 Regents meeting would have caused a delay in ensuring that there is no lapse in the coverage of responsibilities for the External Relations and Communications office. Therefore, an action under interim authority was requested.

The Government Relations and Communications functions are being combined following a recommendation in the report by Huron Consulting relating to the organization of the Office of the President. These functions will report to the Senior Vice President – External Relations and Communications. The Senior Management Group (SMG) position Senior Vice President – External Relations, and the corresponding Market Reference Zone, were approved by the Regents in March 2018. An open recruitment is in progress to fill the career position with a working title of Senior Vice President – External Relations and Communications, and the Senior Vice President – Public Affairs (Communications) role will not be backfilled.

The Interim Senior Vice President – External Relations and Communications position is classified as a Level One position in the Senior Management Group and will be funded partially or fully with State funds.

The Senior Vice President – External Relations and Communications (SVP-ERC) position reports to the President and will be a member of the senior leadership team responsible for developing, integrating and executing successful public relations, governmental relations, and media relations strategies that support the research, education, and public service missions of the University of California campuses, academic medical centers, and National Laboratories.

Responsibilities include:

- Working with other senior University leaders to cultivate and strengthen relationships with State and federal government legislators, agencies, alumni, donors, campuses, Regents and other internal and external audiences.
- Monitoring issues and areas which affect higher educational institutions and overseeing teams that monitor and advocate for State and federal legislative proposals which may affect the University.
- Developing and implementing an integrated communications strategy across marketing communications, digital communications, executive communications, internal communications, and media

relations including overseeing the management of the systemwide UC brand and directing large-scale marketing campaigns to build public awareness of and support for UC's value and its impact on the lives of people in California and beyond.

Ms. Holmes was appointed as the Interim Senior Vice President – Public Affairs (MRZ title: Senior Vice President – Public Affairs (Communications)) with an annual base salary of \$320,000 in March 2017. That interim assignment ended on June 30, 2018, which was memorialized in an executed letter agreement, not a formal contract.

The proposed base salary of \$320,000 is unchanged from Ms. Holmes's previous interim salary and is 3.1 percent below the 50th percentile of the position's MRZ (\$330,400). As this is a new SMG position, there is no previous incumbent salary information. The proposed base salary and position in the MRZ are appropriate given Ms. Holmes's qualifications and experience. Ms. Holmes will be appointed at 100 percent time, and she will also continue to receive standard pension and health and welfare benefits. Ms. Holmes will be placed into this interim position as a contract appointee.

Prior to her interim assignment as Senior Vice President – Public Affairs, Ms. Holmes held the position of Associate Vice Chancellor for Strategic Communications and Marketing for UC Davis Health and was responsible for enhancing and expanding UC Davis Health's reputation, outreach and brand through communications with internal and external stakeholders. As the institution's chief communications officer, Ms. Holmes oversaw a team of professionals who planned, developed and delivered strategic, high-quality brand marketing and advertising campaigns, cultivated and developed news and media visibility, and operated and supported robust digital platforms.

Ms. Holmes first joined the UC system in 2008 as the Associate Vice Chancellor of University Communications, Marketing and Public Affairs at UC Berkeley where she was responsible for all strategic communications functions including marketing, brand management, media relations, internal communications, issues and crisis management, digital communications, visitor and parent relations, and executive support.

Prior to her appointment at UC Berkeley, Ms. Holmes spent ten years at Kaiser Permanente holding two executive positions where she led and staffed the national communications department, which supported Kaiser's Chief Executive Officer and the leadership team. She has built and directed corporate communications and public relations teams and rolled out systemwide communications campaigns and programs, including Kaiser Permanente's highly successful "Thrive" campaign.

Ms. Holmes earned her Bachelor's Degree in Journalism from San Francisco State University.

Recommendation

The following items were approved in connection with the appointment of and compensation for Claire Holmes as Interim Senior Vice President – External Relations and Communications, Office of the President:

- a. Per policy, appointment of Claire Holmes as Interim Senior Vice President – External Relations and Communications, Office of the President, at 100 percent time.
- b. Per policy, an annual base salary of \$320,000.
- c. Per policy, continuation of standard pension and health and welfare benefits.
- d. This action will be effective July 1, 2018 through June 30, 2019, or until the appointment of a new Senior Vice President – External Relations and Communications, whichever occurs first.

Recommended Compensation

Effective Date: July 1, 2018

Annual Base Salary: \$320,000

Target Cash Compensation:* \$320,000

Funding: Partially or Fully State-Funded

Budget &/or Prior Incumbent Data

Title: Senior Vice President – External Relations and Communications

Base Salary: No Prior Incumbent Data

Target Cash Compensation:* No Prior Incumbent Data

Funding: Partially of Fully State-Funded

*Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

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.

(2) *Appointment of and Compensation for Gregg Goldman as Vice Chancellor and Chief Financial Officer, Los Angeles Campus*

Background

This item recommended approval under interim authority for the appointment of and compensation for Gregg Goldman as Vice Chancellor and Chief Financial Officer, Los Angeles Campus, at 100 percent time, with a proposed base salary of \$425,000 effective on or about October 22, 2018. This is a Level Two position in the Senior Management Group (SMG). The proposed salary is 3.2 percent above the 75th percentile and 14.4 percent below the 90th percentile of the position's Market Reference Zone and is 13.5 percent above the previous incumbent's salary. Because the proposed base salary exceeds the 75th percentile of the position's Market Reference Zone (MRZ) and is more than ten percent above the previous incumbent's salary, this action requires approval by the President of the University and the Regents.

The proposed base salary and position in the MRZ are appropriate, given the extremely limited talent pool at this senior level and Mr. Goldman's unique qualifications, expertise, and professional accomplishments, which set him apart from his peers. The increasing breadth, scope, and complexity of UCLA's financial operations, which include Health Sciences, require a strong financial leader.

Presenting the request at the September 2018 Regents meeting would have caused a delay for the campus in taking immediate and necessary action to inform candidates not chosen, conclude the search process, address pending financial and organizational decisions related to the leadership transition, allow Mr. Goldman to resign with sufficient notice to his current employer, and prepare for Mr. Goldman's relocation and start date. Therefore, an action under interim authority was requested.

It was necessary to present this action under interim authority because sources internal and external to Mr. Goldman's current employer, have become aware of his candidacy and may be prompted to put forward a competitive counteroffer. A delay in approving the offer could result in salary considerations increasing in light of the current low unemployment rate and the ultra-competitive job market for these types of positions. In this context, it is worth noting that UCLA has one of the largest operating budgets among major public research universities.

The position was vacated due to the retirement of the previous incumbent, Steven Olsen, in June 2018. The responsibilities of Vice Chancellor and Chief Financial Officer role have been divided up temporarily between several executives: primarily the Executive Vice Chancellor and Provost,

Administrative Vice Chancellor, and Vice Chancellor – Legal Affairs until the expected start of Mr. Goldman on October 22, 2018.

Prior to Mr. Olsen's retirement, UCLA launched an extensive national search to fill this position, and Mr. Goldman emerged as the top candidate for the Vice Chancellor and Chief Financial Officer role.

Reporting directly to the Chancellor and Executive Vice Chancellor and Provost, the Vice Chancellor and Chief Financial Officer (VC/CFO) is a member of the Chancellor's Executive Committee and serves as the financial leader for the campus. The VC/CFO is responsible for a broad range of strategic initiatives and programs as well as corporate financial services, academic and budgetary planning, allocation of campus resources, capital programs, design and construction, asset and debt strategy, and oversight of UCLA's investment strategy.

With 30 years of experience in both higher education and private industry, Mr. Goldman is uniquely qualified to fill this role. Mr. Goldman has been with the University of Arizona for four years as the Senior Vice President for Business Affairs and Chief Financial Officer, where he is responsible for budgeting, financial services, human resources, real estate, design and construction, business processes, police services, and relationships with University-related corporations.

Mr. Goldman previously worked at the University of Southern California for 12 years and served as the Senior Associate Dean and Chief Financial Officer for the Marshall School of Business. He has also held the positions of Senior Assistant Dean for the UC Irvine Graduate School of Management, Director of UCLA Library Financial Services, and Chief Financial and Operations Officer at various private companies in the Los Angeles area.

As a leader in higher education finance and administration, Mr. Goldman served as President of the Board of the Western Association of College and University Business Officers (WACUBO) and also served as Chair of the National Association of College and University Business Officers (NACUBO), the preeminent professional associations for higher education business and finance professionals representing chief administrative and financial officers at more than 2,100 colleges and universities across the country.

Mr. Goldman received his Bachelor of Science degree in Business Administration from Thomas Edison State College in New Jersey and MBA from California State Polytechnic University, Pomona.

This position will be funded partially or fully with State funds.

Recommendation

The following items were approved in connection with the appointment of and compensation for Gregg Goldman as Vice Chancellor and Chief Financial Officer, Los Angeles campus:

- a. Per policy, appointment of Gregg Goldman as Vice Chancellor and Chief Financial Officer, Los Angeles campus, at 100 percent time.
- b. Per policy, an annual base salary of \$425,000.
- c. Per policy, standard pension and health and welfare benefits and standard senior management benefits including eligibility for senior management life insurance and eligibility for executive salary continuation for disability (eligible after five consecutive years of Senior Management Group service).
- d. Per policy, eligible to participate in the UC Employee Housing Assistance Program, subject to all applicable program requirements.
- e. Per policy, reimbursement of actual and reasonable moving and relocation expenses associated with relocating his primary residence, subject to the limitations under Regents Policy 7710, Senior Management Group Moving Reimbursement.
- f. This action will be effective as of Mr. Goldman's start date, estimated to be October 22, 2018.

COMPARATIVE ANALYSIS**Recommended Compensation**

Effective Date: on or about October 22, 2018

Annual Base Salary: \$425,000

Target Cash Compensation:* \$425,000

Funding: partially or fully State-funded

Budget &/or Prior Incumbent Data

Title: Vice Chancellor and Chief Financial Officer

Base Salary: \$374,400

Target Cash Compensation:* \$374,400

Funding: partially or fully State-funded

* Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

- (3) ***Suspension of Bylaw 21.7 for the Limited Purpose of Enabling the Los Angeles Campus to Reappoint Regent Estolano to Part-Time Teaching and Advisory Board Positions, Provided That Any Such Positions Are Uncompensated***

Bylaw 21.7 be suspended, subject to ratification by the Board of Regents, for the limited purpose of enabling Regent Estolano to be eligible for reappointment to the following University-affiliated positions at the UCLA campus, provided that any such positions are uncompensated:

- a. As a part-time faculty member in the UCLA Luskin School of Public Affairs;
- b. As a member on the Advisory Board of the UCLA Lewis Center for Regional Policy Studies.

The Bylaw suspension will be before the Regents at its September 2018 Board meeting. If the Board does not suspend the Bylaw, the Regent will be directed to unwind the current appointment to the extent possible, and if not possible then to at a minimum not renew the appointment on a going-forward basis.

Approvals Under Health Services Committee Authority

- B. At its August 14 meeting, the Health Services Committee approved the following recommendation:

Amendments to the Clinical Enterprise Management Recognition Plan

The Clinical Enterprise Management Recognition Plan plan document for the 2018-19 plan year be amended as shown in Attachment 4.

12. **REPORT OF MATERIALS MAILED BETWEEN MEETINGS**

Secretary and Chief of Staff Shaw reported that, on the dates indicated, the following were sent to the Regents or to Committees:

To the Regents of the University of California

- A. From the Secretary and Chief of Staff, an email announcing new Board members Alumni Regents Anderson and Morimoto and Student Regent Graves as voting Regents and Alumni Regents-designate Simmons and Um as non-voting designates. July 9, 2018.
- B. From the President of the University, an email and UC's 2017 Technology Commercialization Report. July 9, 2018.

- C. From the President of the University, a letter enclosing the report on fee levels for self-supporting graduate professional programs. July 20, 2018.
- D. From the President of the University, the Significant Information Technology Projects Report for the period January to April 2018. July 31, 2018.
- E. From the President of the University, an email with a press release announcing the nomination of Regents Butler, Cohen, Estolano, and Leib. August 6, 2018.
- F. From the Secretary and Chief of Staff, the Summary of Communications received for July, 2018. August 9, 2018.
- G. From the UC Davis Chancellor, a letter to the Board Chair and the President of the University regarding the UC Davis Long Range Development Plan and Environmental Impact Report, with attachments. August 21, 2018.
- H. From the Secretary and Chief of Staff, an email announcing that the State Senate confirmed the appointment of Regents Butler, Cohen, Estolano and Leib. August 29, 2018.
- I. From the President of the University, a letter announcing the deployment of UC Path at UC Santa Barbara and UCLA. August 31, 2018.
- J. From the President of the University, the Annual Report on Executive Compensation for Calendar Year 2017: Deans and Certain Full-Time Faculty Administrators. September 5, 2018.
- K. From the Secretary and Chief of Staff, the Summary of Communications Received for August, 2018. September 10, 2018.
- L. From the President of the University, the Report on Health System Transactions Approved by the Health Services Committee for the period November 2015 to June 2018. September 12, 2018.

To the Members of the Governance and Compensation Committee

- M. From the President of the University, the Annual Report on Compensated Outside Professional Activities for Deans and Certain Other Full-Time Faculty Administrators, for the period July 1, 2016 through June 30, 2017. August 23, 2018.

To the Members of the Health Services Committee

- N. From the President of the University, the UC Health Advisory Committee draft report of recommendations. August 9, 2018.

- O. From the UC Health Executive Vice President, a press release announcing a strategic alliance between Marin General Hospital and UCSF Health. September 12, 2018.

The meeting adjourned at 1:35 p.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 105.1 – ORGANIZATION OF THE ACADEMIC SENATE

105.1: Organization of the Academic Senate

- a. The Academic Senate shall consist of the President, Vice Presidents, Chancellors, Vice Chancellors, Deans, Provosts, Directors of academic programs, the chief admissions officer on each campus and in the Office of the President, registrars, the University Librarian on each campus of the University, and each person giving instruction in any curriculum under the control of the Academic Senate whose academic title is Instructor, Instructor in Residence; Assistant Professor, Assistant Professor in Residence, Assistant Professor of Clinical (e.g., Medicine); Associate Professor, Associate Professor in Residence, Associate Professor of Clinical (e.g., Medicine), Acting Associate Professor; Professor, Professor in Residence, Professor of Clinical (e.g., Medicine), or Acting Professor; ~~full-time Lecturer with Potential for Security of Employment, full-time Senior Lecturer with Potential for Security of Employment, full-time Lecturer with Security of Employment, or full-time Senior Lecturer with Security of Employment~~, Acting Lecturer with Security of Employment, or full-time Senior Lecturer with Security of Employment, or Acting Senior Lecturer with Security of Employment; however, Instructors and Instructors in Residence of less than two years' service shall not be entitled to vote. Members of the faculties of professional schools offering courses at the graduate level only shall be members also of the Academic Senate, but, in the discretion of the Academic Senate, may be excluded from participation in activities of the Senate that relate to curricula of other schools and colleges of the University. Membership in the Senate shall not lapse because of leave of absence or by virtue of transference to emeritus status.
- b. The Academic Senate shall determine its own membership under the above rule, and shall organize, and choose its own officers and committees in such manner as it may determine.
- c. The Academic Senate shall perform such duties as the Board may direct and shall exercise such powers as the Board may confer upon it. It may delegate to its divisions or committees, including the several faculties and councils, such authority as is appropriate to the performance of their respective functions.

Additions shown by underscoring; deletions shown by strikethrough**BYLAW 40. ACADEMIC SENATE**

40.1 Duties and Powers of the Academic Senate.

The Regents recognize that faculty participation in the shared governance of the University of California through the agency of the Academic Senate ensures the quality of instruction, research and public service at the University and protects academic freedom. The Academic Senate shall perform such duties as the Board may direct and shall exercise such powers as the Board may confer upon it. The Academic Senate, subject to the approval of the Board, shall determine the conditions for admission and for certificates and degrees, and recommend to the President all candidates for degrees. The Academic Senate shall authorize and supervise all courses and curricula, except in the Hastings College of the Law, in professional schools offering work at the graduate level only, and over non-degree courses in the University Extension. No change in the curriculum of a college or professional school shall be made by the Academic Senate until such change shall have been submitted to the formal consideration of the faculty concerned. The Academic Senate may select committees to advise the President and Chancellors on campus and University budgets and, through the President, or to the Regents directly by a formal Memorial, may address the Board on any matter pertaining to the conduct and welfare of the University.

40.2 Organization of the Academic Senate.

Membership in the Academic Senate is as determined in Regents Policy. The Academic Senate shall organize and choose its own officers and committees and may delegate authority to its divisions or committees as appropriate.

40.3 Special Provisions Concerning Faculty.

(a) No Political Test

No political test shall ever be considered in the appointment and promotion of any faculty member or employee.

(b) Privilege of a Hearing Before the Academic Senate

Any member of the Academic Senate shall have the privilege of a hearing by the appropriate committee or committees of the Academic Senate on any matter relating to personal, departmental, or University welfare.

(c) Tenure

All appointments to the positions of Professor and Associate Professor and to positions of equivalent rank are continuous in tenure until terminated by retirement, demotion, or dismissal. The termination of a continuous tenure appointment or the termination of the appointment of any

other member of the faculty before the expiration of the appointee's contract shall be only for good cause, after the opportunity for a hearing before the properly constituted advisory committee of the Academic Senate, except as otherwise provided in a Memorandum of Understanding for faculty who are not members of the Academic Senate.

An Assistant Professor who has completed eight years of service in that title, or in that title in combination with other titles as established by the President, shall not be continued after the eighth year unless promoted to Associate Professor or Professor. By exception, the President may approve appointment of an Assistant Professor beyond the eighth year for no more than two years.

(d) Security of Employment

A Lecturer-Potential Security of Employment ~~or Senior Lecturer-Potential Security of Employment~~ appointed at more than half time who has completed eight years of service in that title, or in that title in combination with other titles as established by the President, shall not be continued in that title after the eighth year unless given appointment with security of employment.

By exception, the President may approve appointment of a Lecturer-Potential Security of Employment ~~or Senior Lecturer-Potential Security of Employment~~ on more than half time beyond the eighth year without security of employment, but may not extend it beyond two years.

(e) Dismissal

Dismissal of an academic appointee who holds tenure or security of employment shall be only for good cause and shall be voted by the Board upon recommendation of the President of the University, following consultation with the appropriate Chancellor. Prior to recommending dismissal, the Chancellor shall consult with the appropriate advisory committee(s) of the Division of the Academic Senate.

Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 103.10 – SECURITY OF EMPLOYMENT

103.10: Security of Employment

~~Except as otherwise provided in a Memorandum of Understanding for faculty who are not members of the Academic Senate, a Lecturer Potential Security of Employment or Senior Lecturer Potential Security of Employment appointed at more than half time who has completed eight years of service in that title, or in that title in combination with other titles as established by the President, shall not be continued in that title after the eighth year unless given appointment with security of employment.~~

~~By exception, the President may approve appointment of a Lecturer Potential Security of Employment or Senior Lecturer Potential Security of Employment on more than half time beyond the eighth year without security of employment, but such appointment may not extend beyond two years.~~

~~An appointment with security of employment shall not be terminated except for good cause after the opportunity for a hearing before the properly constituted advisory committee of the Academic Senate.~~

Additions shown by underscoring; deletions shown by strikethrough

**The University of California
Clinical Enterprise Management Recognition Plan (CEMRP)
For Plan Year July 1, ~~2017~~ 2018 through June 30, ~~2018~~ 2019**

1. PLAN PURPOSE

The purpose of the University of California Clinical Enterprise Management Recognition Plan (CEMRP or Plan) is to provide at-risk, variable incentive compensation opportunity to those employees responsible for achieving or exceeding key Clinical Enterprise objectives. Consistent with healthcare industry practices, UC Health Systems use performance-based incentive compensation programs to encourage and reward achievement of specific financial and/or non-financial objectives (e.g., quality of care or patient satisfaction and safety, budget performance) and strategic objectives which relate to the Clinical Enterprise's mission.

The annual Short Term Incentive (STI) component of the Plan provides participants with an opportunity to receive a non-base building cash incentive based on the achievement of specific annual financial, non-financial, and strategic objectives relative to the mission and goals of the UC Health enterprise.

The Long Term Incentive (LTI) component is a non-base building incentive that is intended to encourage and reward top executives of the UC Health enterprise for the achievement of multi-year strategic initiatives, to support and reinforce those results that will promote UC Health and its long-term success, and emphasize the importance of the long-term strategic plan. In addition, the LTI assists in retaining the executive talent needed to achieve multi-year organizational objectives by complementing (but not duplicating) the focus of the rest of the Clinical Enterprise Management Recognition Plan. The Executive Vice President (EVP) – UC Health and the Chief Executive Officers (CEOs) of each of the Health Systems will participate in the LTI.

The overall Plan encourages the teamwork required to meet challenging organizational goals. The Plan also uses individual and/or departmental performance objectives to encourage participants to maximize their personal effort and to demonstrate individual excellence.

2. PLAN OVERSIGHT

Development, governance and interpretation of the Plan will be overseen by an independent Administrative Oversight Committee (AOC) comprised as follows:

- Executive Vice President – Chief Operating Officer
- ~~The~~ Chancellor of every campus with a Health System
- ~~The~~ Vice President, Systemwide Human Resources
- ~~The~~ Executive Director, Systemwide Compensation Programs and Strategy

The AOC, in its deliberations pertaining to the development or revision of the Plan, may consult with the EVP – UC Health, and representatives from the Health Systems. The AOC will abide by

the Political Reform Act, which would prohibit Plan participants from making, participating in making, or influencing decisions that would affect whether they participate in the Plan, the objectives that will govern whether they earn awards under the Plan, and the amount of awards paid to them under the Plan. The Office of General Counsel will be consulted if there are any questions about the application of the Political Reform Act in this context. The Senior Vice President – Chief Compliance and Audit Officer will assure that periodic auditing and monitoring will occur, as appropriate.

3. PLAN APPROVAL

The Plan will be subject to an annual review conducted by the AOC to address design issues and market alignment. The Plan will be implemented each year upon the approval of the AOC if no changes to the Plan are being recommended.

If the AOC recommends any substantive or material changes to the Plan, including, but not limited to, changes in the award opportunity levels, the AOC will obtain the approval of the President and the Regents' ~~Committee on~~ Health Services Committee before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material Plan changes until after the end of the current Plan year. However, if changes are implemented during the Plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the Plan year. Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and will then be implemented by the AOC at an appropriate time. The Regents will receive reports of all changes to the Plan.

4. PLAN YEAR

The CEMRP year will correspond to the University's fiscal year, beginning July 1 and ending the following June 30.

The applicable performance period for CEMRP's LTI component will begin July 1 of the Plan year and end three years later on June 30th.

5. PLAN ADMINISTRATION

The Plan will be administered under the purview of the Executive Director, Systemwide Compensation Programs and Strategy, at the Office of the President, consistent with the Plan features outlined in this document, and as approved by the President and the Regents' ~~Committee on~~ Health Services Committee. The Plan features and provisions outlined in this document will supersede any other Plan summary.

6. ELIGIBILITY TO PARTICIPATE

Eligible participants in CEMRP are defined as the senior leadership of the Clinical Enterprise

who have significant strategic impact and a broad span of control with the ability to effect enterprise-wide change.

Eligibility to participate in CEMRP's LTI component is reserved for those senior executives who are in a position to make a significant impact on the achievement of long-term strategic objectives, specifically the EVP – UC Health and the CEOs at each of the Health Systems.

Plan participation in any one year does not provide any right or guarantee of eligibility or participation in any subsequent year of the Plan.

Plan participants may be added after the Plan year has begun, subject to CEMRP's eligibility requirements and AOC approval.

Participants in this Plan may not participate in any other incentive or recognition plan during the Plan year, including the Health Sciences Compensation Plan, except in the event of a mid-year transfer within the University. Specifically, if a Plan participant is eligible for only a partial year award under this Plan because a mid-year transfer of position renders him or her eligible for Plan participation for only a portion of the Plan year, he or she may participate in a different University plan for the other portion of the Plan year. Concurrent participation in this Plan and another University incentive plan is not permitted.

CEMRP STI participants must have a minimum of six months of service to participate in the Plan and will receive a prorated award in their first year of participation. Similarly, participants who were not working for a significant portion of the Plan year may receive a prorated award in appropriate circumstances, as determined by the AOC. Participants who transfer within the University to a position that would not be eligible for participation in the Plan are eligible to receive a prorated award for that Plan year if they worked in the CEMRP-eligible position for at least six months.

An LTI participant hired or promoted into an LTI-eligible position between July 1 and December 31 of the Plan year will be assigned one or more long-term objective(s) for the three-year period that begins with the Plan year and will be eligible for a prorated LTI incentive opportunity for that period. The prorated LTI award will be determined by dividing the number of complete months employed during that three-year period by the number of months in the full performance period (36 months).

Prior to the beginning of the Plan year, the AOC will approve the Plan's participants and provide the President and the Chair of the Regents' ~~Committee on~~ Health Services Committee with a list of participants for that Plan year, including appropriate detail regarding each participant.

7. AWARD OPPORTUNITY LEVELS

As part of their competitive total cash compensation package, Plan participants are assigned threshold, target and maximum incentive award levels, expressed as a percentage of their base salary. These award opportunity levels serve to motivate and drive individual and team performance toward established objectives. Target awards will be calibrated to expected results while maximum awards will be granted only for superior performance against established

performance standards. Actual awards for any individual participant may not exceed the maximum award opportunity level assigned. Award opportunity levels are determined, in part, based on the participant’s level within the organization and the relative scope of responsibilities, impact of decisions, and long-term strategic impact. If a participant changes positions during the Plan year within the same institution (defined as the participant’s Health System) and the participant’s level within the organization changes based on the table below, the participant’s award should be adjusted to take into account the amount of time spent in each position.

CEMRP STI Annual Award Opportunity (as percent of salary)

Position Level within Organization	Threshold Opportunity	Target Opportunity	Maximum Opportunity
EVP – UC Health and Health System Chief Executive Officers	10%	20%	30%
Other “Chief Levels” and Other Key Senior Clinical Enterprise Leadership	7.5%	15%	25%
Other Key Clinical Enterprise Leadership	7.5%	15%	20%

The individuals eligible to participate in CEMRP’s LTI component will be assigned one or more long-term performance objective(s) for the three-year period that begins with each new CEMRP Plan year, resulting in overlapping three-year LTI cycles. The LTI Threshold, Target, and Maximum award opportunity for the EVP – UC Health and the CEOs will be 5 percent, 10 percent and 15 percent, respectively, as shown in the chart below. The actual awards will be based on final assessments at the conclusion of the three-year LTI performance period and paid at the same time as the STI awards are paid.

CEMRP LTI Award Opportunity (as percent of salary)

<u>Position Level within Organization</u>	<u>Threshold Opportunity</u>	<u>Target Opportunity</u>	<u>Maximum Opportunity</u>
EVP – UC Health and Health System Chief Executive Officers	5%	10%	15%

8. PERFORMANCE STANDARDS

Each Plan participant will be assigned Performance Objectives which have standards of performance defined as Threshold, Target, and Maximum performance consistent with the following:

Threshold Performance – Represents the minimum acceptable performance standard for which an award can be paid. This level represents satisfactory results, but less than full achievement of stretch objectives.

Target Performance – Represents successful attainment of expected level of performance against stretch objectives.

Maximum Performance – Represents results which clearly and significantly exceed all performance expectations for the year. This level of accomplishment should be rare.

The same performance standards will be used for LTI performance objectives, but they will relate to performance over a three-year period rather than a one-year period.

9. PERFORMANCE OBJECTIVES AND WEIGHTINGS

Prior to the beginning of each fiscal year, a series of financial and/or non-financial performance objectives will be established for each participant, consistent with the mission and goals of the Clinical Enterprise and each Health System in the Clinical Enterprise.

Systemwide Clinical Enterprise level ~~systemwide~~ objectives encourage the Health Systems to work together for the benefit of the entire Clinical Enterprise system. Institutional performance objectives encourage local teamwork and recognize the joint effort needed to meet challenging organizational goals. Individual or departmental performance objectives are designed to focus attention on key individual or departmental initiatives.

For purposes of this Plan, individual/departmental performance objectives should not be the same activities that are normal job requirements or expectations. Job performance is assessed as part of the Annual Performance Review Process. All CEMRP performance objectives must be stretch in terms of achievement potential, must be aligned with specific Institutional and/or Clinical Enterprise initiatives, and are often peripheral but related to or integrated with ongoing job responsibilities.

Each of the STI and LTI performance objectives will relate to one or more of the categories below:

- Financial Performance
- Quality Improvements
- Patient Satisfaction
- Key Initiatives in Support of the Strategic Plan
- People and other Resource Management

There will be no more than nine STI performance objectives for each participant in CEMRP comprised of the following: (1) Up to three objectives relating to the performance of the *Clinical Enterprise* (defined as Systemwide); (2) Up to three objectives relating to the performance of the *Institution* (defined as the participant's Health System); (3) For all participants other than those eligible for the LTI component, up to three objectives relating to *Individual* and/or *Departmental* performance. If an Individual/Departmental performance objective has three components and the Threshold, Target, and Maximum performance standards are framed as “meet one of three,” “meet two of three,” and “meet three of three,” respectively, each component must have equal

importance and weighting. While this type of Individual/Departmental performance objective is permissible, Individual/Departmental performance objectives with clear metrics for each performance standard are preferred.

Annual STI Individual/Departmental performance objectives will be established and administered by each participant's supervisor in consultation with the CEO of that Health System for all participants other than those eligible to participate in the LTI component.

The annual STI Institutional performance objectives for each Health System will be established and administered by the EVP – UC Health in consultation with the respective Chancellors in advance of the Plan year.

The annual STI performance objectives for the Systemwide Clinical Enterprise level ~~systemwide~~ will be established by the President, who may consult with the Chair of the Regents' ~~Committee~~ on Health Services Committee.

LTI participants will also be assigned one or more LTI performance objective(s) for each three-year performance period. The LTI performance objective(s) will require longer-term, multi-year efforts to achieve. LTI performance objectives must contain details that define Threshold, Target, and Maximum performance and include metrics and benchmarks, as appropriate. The LTI performance objectives will be established by the President, who will consult with the Chair of the Regents' ~~Committee~~ on Health Services Committee.

All performance objectives must be SMART (specific, measureable, attainable, relevant, and time-based). Assessment of participants' performance and contribution relative to these objectives will determine their actual award amount.

Peer group and/or industry data must be used where appropriate to provide a benchmark and performance standard. Performance objectives at the Clinical Enterprise and Institutional levels are typically measured against relative peer/industry benchmarks in the market. Where an established internal or external benchmark is used, baseline metrics must be included to enable a determination of the degree to which the intended results would require stretch performance. The Chief Human Resource Officer at each Health System will be responsible for ensuring that all Individual/Departmental objectives for participants at that location meet the SMART standards before obtaining sign-off from the CEO and Chancellor. The STI and LTI performance objectives for all participants will be subject to review and approval by the AOC prior to the beginning of the Plan year or as soon as possible thereafter. The AOC will consult the Senior Vice President – Chief Compliance and Audit Officer in an independent advisory capacity during its review of Plan participants' objectives.

The participants' performance toward their assigned STI objectives may be measured across three organizational levels as noted above (Systemwide Clinical Enterprise, Institutional, and Individual/Departmental) and will be weighted according to the percentages listed in the table below.

Weighting of STI Annual Objectives

Position Level within Organization	<u>Systemwide / Clinical Enterprise Level</u>	Institutional Level	Individual and/or Departmental Level
<u>EVP – UC Health</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>
EVP – UC Health and Health System Chief Executive Officers	50%	50%	0%
Other “Chief Levels” and Other Key Senior Clinical Enterprise Leadership	30%	50%	20%
<u>Other UC Health Leadership</u>	<u>80%</u>	<u>0%</u>	<u>20%</u>
Other Clinical Participants	20%	50%	30%

The supervisor of each Plan participant will provide him/her with: (a) the participant’s performance objectives for the Plan year, (b) the performance standards that will be used to measure Threshold, Target, and Maximum performance for each objective, (c) the performance weightings that will apply to the participant’s performance objectives, and (d) a copy of this Plan document.

~~10. Financial Standards and Plan Funding~~

10. PLAN FUNDING AND MINIMUM THRESHOLD FOR FINANCIAL STANDARD

Full funding of STI awards for participants at a Health System in the plan year is contingent upon that Health System’s ability to pay out the awards while maintaining a positive income from operations. This minimum threshold financial standard is based on Modified Operating Income (Loss) which is Revenue less Expenses, excluding the non-cash portion of Other Post Employment Benefits (OPEB) as reported to the Regents’ Health Services Committee.

~~Full funding of STI awards for participants at a Health System in the Plan year is contingent upon that Health System’s ability to pay out the awards while maintaining a positive net cash flow from operations before intra-institutional transfers.~~

In the event that the Health System cannot meet that financial standard for the Plan year, and the Health System attains key Institutional non-financial objectives, the AOC may consider and approve, in consultation with the Chancellor and EVP – UC Health, partial STI award payouts for some or all of that Health System’s Plan participants based on the Award Opportunity Levels defined above and participants’ achievement of their assigned STI performance objectives for the Plan year.

11. INCENTIVE AWARD ELIGIBILITY CRITERIA

Participants must be active full-time employees of the University at the conclusion of the Plan year (i.e., as of midnight on June 30th) to be eligible to receive an STI award for that Plan year,

unless the circumstances of their separation from the University entitle them to a full or partial award as set forth in the Separation from the University provision below in Section 13.

LTI participants must be active full-time employees at the conclusion of the three-year period associated with an LTI performance objective (i.e., as of midnight on June 30th of the third year) to be eligible to receive an LTI award for that period.

Participants must have at least a “Meets Expectations” or equivalent overall rating on their performance evaluation for the Plan year to be considered for an STI award under the Plan for that Plan year or an LTI award for the performance period that concludes at the end of that Plan year. A manager may reduce or eliminate an award according to the participant’s overall performance rating with the approval of the AOC. However, an overall performance rating below “Meets Expectations” will eliminate the total award for that participant for that Plan year or performance period.

A participant who has been found to have committed a serious violation of state or federal law or a serious violation of University policy at any time prior to distribution of an STI or LTI award will not be eligible for such awards under the Plan for that Plan year and/or performance period. If such allegations against a participant are pending investigation at the time of the award distribution, the participant’s award(s) may be withheld pending the outcome of the investigation. If the participant’s violation is discovered later, the participant may be required to repay awards for the Plan years and/or performance periods in which the violation occurred.

Likewise, when it has been determined that a participant’s own actions or the participant’s negligent oversight of other University employees played a material role in contributing to a serious adverse development that could harm the reputation, financial standing, or stability of the participant’s Health System (*e.g.*, the receipt of an adverse decision from a regulatory agency, placement on probation status, or the adverse resolution of a major medical malpractice claim) or, with regard to the EVP – UC Health and the Clinical Enterprise overall, the AOC has the discretion to decide that the participant will either not be eligible for an STI or LTI award under the Plan that year or will receive an award that has been reduced as a result of and consistent with the participant’s role with regard to the adverse development. If the participant’s role with regard to the adverse development is still under investigation at the time of award distribution, the participant’s award for the Plan year may be withheld pending the outcome of the investigation.

If the participant’s role in the adverse development is discovered later, the participant may be required to repay awards for the years in which the actions or negligent oversight occurred.

12. INCENTIVE AWARD APPROVAL PROCESS

At the end of each Plan year, proposed incentive awards will be submitted to the Executive Director, Systemwide Compensation Programs and Strategy. Except as set forth below. Awards amounts will be reviewed and approved by the AOC. Any incentive award for the EVP – UC Health will require the approval of the Regents’ ~~Committee on~~ Health Services Committee in addition to the approval of the AOC. The AOC will consult the Senior Vice President – Chief

Compliance and Audit Officer in an independent advisory capacity during its review of proposed incentive awards. The AOC will provide the chair of the Regents' ~~Committee on Health Services Committee~~ and the President with a listing of award recommendations before awards are scheduled to be paid. On behalf of the AOC, the Executive Director, Systemwide Compensation Programs and Strategy will provide the President and the Regents with the award details in the Annual Report on Executive Compensation.

Approved incentive awards will be processed as soon as possible unless they have been deferred pursuant to the provision set forth below.

Annual incentive awards will be payable in cash, subject to appropriate taxes and pursuant to normal University payroll procedures. The participant's total University salary (which includes base salary and any stipends, but does not include any prior year incentive award payouts or disability pay) as of June 1st of the Plan year will be used in the calculation of the incentive award amount. The assigned Description of Service code of "XCE" specific to the Plan **must** be used when paying awards to Plan participants.

This Plan may be terminated or replaced at any time for any reason upon the recommendation of the President, in consultation with the Chair of the Regents' ~~Committee on Health Services Committee~~. Reasonable efforts, given all circumstances, will be made to delay Plan termination until after the current Plan year has concluded. However, if the Plan is terminated during the Plan year, awards for the current year will still be processed based on participants' performance during the portion of the Plan year prior to termination.

Notwithstanding any other term in the Plan, current year incentive awards may be deferred if the Regents issue a declaration of extreme financial emergency upon the recommendation of the President or if the Systemwide Clinical Enterprise experiences a ~~systemwide negative cash flow consolidated negative income from operations based on Modified Operating Income (Loss) which is Revenue less Expenses, excluding the non-cash portion of Other Post Employment Benefits (OPEB)~~. In such situations, the deferral would be made upon the recommendation of the AOC and require the approval of the President and the Chair of the Regents' ~~Committee on Health Services Committee~~. In such a case the current year deferred awards will earn interest at the Short Term Investment Pool rate. Award payments that have been approved, but deferred, will be processed and distributed as soon as possible. In no event will awards be deferred longer than one year.

The University may require repayment of an award that was made as a result of inappropriate circumstances. For example, if there is an inadvertent overpayment, the participant will be required to repay the overage. If the participant has not made the repayment before an award for the employee for a subsequent Plan year is approved, the outstanding amount may be deducted from the employee's subsequent award.

13. SEPARATION FROM THE UNIVERSITY

The table below indicates whether a participant who separates from the University will be eligible to receive a full or partial STI award and also specifies when forfeiture of such awards

will occur. Retirement will be determined based upon applicable University policies. In order to determine the most accurate STI award for the current Plan year, partial payments will be calculated at the end of the Plan year and issued in accordance with the normal process and schedule.

Reason for Separation	Separation During Plan Year (i.e., on or before June 30, 2018 <u>2019</u>)	Separation on or after July 1, 2018 <u>2019</u>
Voluntary Separation for any reason other than retirement	<ul style="list-style-type: none"> Forfeiture of STI award for 2017-18 <u>2018-19</u> Plan year. 	<ul style="list-style-type: none"> Payout of full STI award for 2017-18 <u>2018-19</u> Plan year.
<ul style="list-style-type: none"> Retirement Medical separation due to disability Death* Involuntary separation due to reorganization or restructuring 	<ul style="list-style-type: none"> Partial STI award for 2017-18 <u>2018-19</u> Plan year. 	<ul style="list-style-type: none"> Payout of full STI award for 2017-18 <u>2018-19</u> Plan year.
Involuntary termination due to misconduct or inadequate performance	<ul style="list-style-type: none"> Forfeiture of STI award for 2017-18 <u>2018-19</u> Plan year. 	<ul style="list-style-type: none"> Forfeiture of STI award for 2017-18 <u>2018-19</u> Plan year.

*In such cases, payments will be made to the estate of the participant.

LTI awards are not eligible for full or partial payment if a participant separates from the University before the conclusion of the applicable three-year LTI performance period; forfeiture will occur.

14. TREATMENT FOR BENEFIT PURPOSES

Incentive awards under this Plan are not considered to be compensation for University benefit purposes, such as the University of California Retirement Plan or employee life insurance programs.

15. TAX TREATMENT AND REPORTING

Under Internal Revenue Service Regulations, payment of incentive awards under this Plan must be included in the participant's income as wages subject to withholding for federal and state income taxes and applicable FICA taxes. The payment is reportable on the participant's Form W-2 in the year paid.