

The Regents of the University of California

**GOVERNANCE AND COMPENSATION COMMITTEE**

January 24, 2018

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

Members present: Regents Elliott, Lansing, Ortiz Oakley, Pérez, Sherman, and Varner; Ex officio members Kieffer and Napolitano

In attendance: Regents De La Peña and Park, Regent-designate Anderson, Faculty Representative White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Vice President Duckett, Chancellors Block, Blumenthal, Gillman, Hawgood, and Khosla, and Recording Secretary Johns

The meeting convened at 11:55 a.m. with Committee Chair Sherman presiding.

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

Upon motion duly made and seconded, the minutes of the meetings of September 13, 2017 and November 15, 2017 were approved.

**2. GOVERNANCE, POLICY, AND COMPLIANCE REFORMS: ADOPTION OF REGENTS POLICY ON COMPLIANCE WITH STATE AUDITS, REGENTS POLICY ON INDEPENDENT REPORTING TO THE BOARD OF REGENTS BY OFFICERS WITH DUAL REPORTING OBLIGATIONS TO THE BOARD AND TO THE PRESIDENT OF THE UNIVERSITY, AND REGENTS POLICY ON APPOINTMENT AND COMPENSATION OF OFFICERS OF THE REGENTS WITH DUAL REPORTING OBLIGATIONS TO THE BOARD OF REGENTS AND TO THE PRESIDENT OF THE UNIVERSITY; AMENDMENT OF BYLAW 23, AMENDMENT OF THE COMPLIANCE AND AUDIT COMMITTEE CHARTER; AND AMENDMENT OF REGENTS POLICY 7702 – SENIOR MANAGEMENT GROUP PERFORMANCE MANAGEMENT REVIEW PROCESS**

The Chair of the Board, in consultation with former Chair Lozano, recommended that the Governance and Compensation Committee recommend that the Regents:

- A. Adopt a Regents Policy on Compliance with State Audits as shown in Attachment 1.
- B. Adopt a Regents Policy on Independent Reporting to the Board by Officers of the Regents with Dual Reporting Obligations to the Board and to the President of the University as shown in Attachment 2.

- C. Amend Bylaw 23.5 – Authority and Duties of Principal Officers, as shown in Attachment 3.
- D. Direct that the Systemwide Human Resources Division amend the job descriptions of the Chief Compliance and Audit Officer, the General Counsel, the Chief Investment Officer, and the Systemwide Deputy Audit Director, and that the Internal Audit Manual be amended to add the following language: With regard to audits and investigations of the Office of the President, the [officer] reports solely and exclusively to the Board of Regents. The [officer] is expected to report to the Board any significant concerns regarding the Office of the President.
- E. Amend the Compliance and Audit Committee Charter as shown in Attachment 4.
- F. Amend Regents Policy 7702 – Senior Management Group Performance Management Review Process, as shown in Attachment 5.
- G. Amend Bylaw 23 – Officers of the Corporation – section 2(c) Appointment and Qualifications Principal Officers, and section 3(c) Removal Principal Officers as shown in Attachment 6.
- H. Adopt a Regents Policy on Appointment and Compensation of Officers of the Regents with Dual Reporting Obligations to the Board of Regents and to the President of the University as shown in Attachment 7, effective upon approval of amendment to Bylaw 23 as described in paragraph H above.
- I. Waive service of notice for amendment of the Bylaws shown in paragraphs C and G above.

[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.]

Chair Kieffer explained that this item proposed a combination of Regents Policy and Bylaw changes, in response to the report of the California State Auditor. These changes would provide guidance in responding to future audits, and clarify and strengthen the roles of three officers with dual reporting obligations. The recommendations in this item were the result of consultation with former Board Chair Lozano and a working group she had convened as well as input from outside counsel at Munger, Tolles & Olson. The changes being proposed would expressly prohibit interference with State audits and investigations, and were focused on the relationships of the General Counsel and the Chief Compliance and Audit Officer with the Board. Chair Kieffer noted that there had been some changes in this item compared to an earlier version that had been presented at the November 2017 meeting; some of these changes were technical and stylistic, and some had been made following conversations with the Office of the State Auditor and the General Counsel.

Chair Kieffer then outlined the contents of the attachments to the item. The policy proposed in Attachment 1 states that UC employees are not to obstruct or interfere in any way with

protected disclosures in any State audit, and provides for a single reporting line to the Board of Regents for the Chief Compliance and Audit Officer and the General Counsel during State audits of the Office of the President (UCOP). Chair Kieffer emphasized the importance of paragraph C. of the policy, which states that during a State audit of UCOP, the Chief Compliance and Audit Officer, when carrying out obligations related to that audit or investigation, shall report solely and exclusively to the Board of Regents, through the Chair of the Compliance and Audit Committee, and the General Counsel, when carrying out obligations related to that audit or investigation, shall report solely and exclusively to the Board of Regents, through the Chair of the Board.

The policy presented in Attachment 2 would strengthen the reporting and accountability of Officers of the Regents with dual reporting relationships to the Board and ensure their independence with regard to issues pertaining to the President of the University. The policy directs that the Chair of the Compliance and Audit Committee and the Chair of the Board shall confer with the Chief Compliance and Audit Officer alone on a regular basis and shall meet with him or her alone not less than twice a year. Chair Kieffer drew attention to a provision in paragraph B. of the policy which grants authority to the Systemwide Deputy Audit Director to bring matters to the attention of the Chair of the Compliance and Audit Committee.

Regent Pérez suggested that the Regents might wish to make a further modification by considering chancellors in similar circumstances, and to allow for a formal process by which chancellors have the ability to come directly to the Board to express concerns in their role as the heads of the individual campuses. Chair Kieffer responded that this was a complex issue that raised questions about lines of authority. He suggested that the Regents discuss this matter at a future meeting, with the same thoughtful consideration given to the measures being adopted at this meeting.

Chair Kieffer drew attention to Attachment 3 and the proposed amendment of Bylaw 23.5, Authority and Duties of the Principal Officers, which would add language about the duties of the General Counsel: “The General Counsel is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regard to audits and investigations of the Office of the President, the General Counsel reports solely and exclusively to the Board.” The amendment would add the same language for the Chief Compliance and Audit Officer and for the Chief Investment Officer.

Regent Ortiz Oakley remarked that expectations were stated clearly. The University’s experience with the State audit process was fresh in the Regents’ minds. He expressed the hope that in the future, every Chair of the Board would understand why the Regents established these requirements. Chair Kieffer agreed about the Board’s need to effectively communicate its history and information about actions taken on significant and pressing issues.

In Attachment 4, an amendment to the Compliance and Audit Committee Charter would add to the charge of the Committee “monitoring and assuring the independence and

accountability of the Chief Compliance and Audit Officer and General Counsel to the Board with regard to ethics, compliance, and risk management issues concerning the Office of the President.”

An amendment to Regents Policy 7702, Senior Management Group Performance Management Review Process, was proposed in Attachment 5. One proposed change was to the self-assessment process for Principal Officers of the Regents: “For Principal Officers of the Regents reporting to both the Board of Regents and the President, the incumbent will complete a self-assessment and provide it to the President and to the Chair of the Board. Upon receipt of the Principal Officer’s self-assessment, the President will review the self-assessment and conduct a preliminary overall performance assessment. The Chair of the Board, in consultation with other appropriate Regents, will also review the self-assessment and conduct a separate preliminary overall performance assessment, which will include assessment of the Principal Officer’s independence from the Office of the President...” The Chair of the Board and the President would then agree on an overall assessment of the Principal Officer.

A proposed amendment to Bylaw 23, Officers of the Corporation, shown in Attachment 6, concerned hiring. The current item also recommended adoption of a Regents Policy on Appointment and Compensation of Officers of the Regents with Dual Reporting Obligations to the Board of Regents and to the President of the University, shown in Attachment 7. Increases or decreases in compensation for these dual reports would be recommended by both the Chair of the Board and the President.

Regent Ortiz Oakley suggested that the Regents consider two other matters in the future. The first was including the Vice Chair of the Board as often as possible in governance and policy statements, given the importance of this role on the Board; the second was that the Regents be given the opportunity to comment on the performance of the Academic Senate, with whom the Regents share oversight authority. The Regents have responsibility for all elements of the University; they should have some kind of role in interacting and discussing the direction of faculty.

Chair Kieffer concurred with this last point of view. He recalled that in 1980, as an Alumni Regent, he had resolved that there be regular reviews of the Academic Senate and undergraduate education in particular, to reaffirm the delegation of authority to the Academic Senate, and to reinforce the fact that this authority had been delegated, but not abdicated by the Regents. At future meetings, the Academic and Student Affairs Committee or the full Board might have discussions about how curricula are established, and about the research function. He stated his view that the Academic Senate would be eager to answer questions on these topics. Regarding Regent Ortiz Oakley’s first comment, he observed that the role of the vice chair had never been adequately defined and that a future policy pertaining to this role might be desirable.

Faculty Representative White stated that the Academic Senate welcomes opportunities to improve discussion and engagement with the Board.

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

3. **APPROVAL OF NEW BENCHMARKING FRAMEWORK RESULTING IN REVISIONS TO THE MARKET REFERENCE ZONES FOR UC HEALTH POSITIONS IN THE SENIOR MANAGEMENT GROUP, AS PROPOSED BY THE UC HEALTH EXECUTIVE COMPENSATION WORKING GROUP**

The President of the University recommended that the Governance and Compensation Committee approve the new Benchmarking Framework revising the Market Reference Zones (MRZs) for UC Health positions in the Senior Management Group, as recommended by the Regents Workgroup on UC Health Executive Compensation and approved by the Regents' Health Services Committee. Details of the proposed MRZs, which align with other public and not-for-profit academic medical centers and teaching hospitals, are provided in Attachment 8.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Duckett briefly introduced the item. He outlined the membership of the Regents Workgroup on UC Health Executive Compensation, as well as its review process, which had developed the proposed benchmarking framework for UC Health Market Reference Zones (MRZs), assisted by consultant Sullivan Cotter. He stressed that no individual compensation increases were being recommended. The governance mechanism determining which actions are subject to Regents' oversight would remain unchanged.

Regent Ortiz Oakley suggested that the Regents have a discussion in the near future to review the activities and effectiveness of the Health Services Committee, or how the Board can be better informed about the significant actions taken by the Health Services Committee.

Committee Chair Sherman asked how many employees would be affected by the new MRZs and about the approximate total salary amount involved, noting that this amount should be related to the \$10 billion size of the UC Health enterprise. Executive Vice President Stobo responded that about 37 positions would be affected. He recalled that the motivation for development of new MRZs had come from former Chair Lozano, who had requested a study following a presentation by two of the academic medical centers, UCLA and UCSF, about their difficulty in recruiting key executive positions due to their uncompetitive salaries. The study was not spurred by concern about current, existing employees, but concern about the ability to recruit new employees.

Regent Elliott stated his view that this appeared to be a justification for higher salaries for prospective new hires. Dr. Stobo countered that the intention was to enable UC Health to compete in the market with other academic medical centers and to pay at market levels.

Regent Elliott asked if one result of approval of the new MRZs would be that employees would be eligible to receive larger salary increases than currently possible. Mr. Duckett responded that under the new MRZs, roughly one-third of incumbent positions show an increase, compensation for one-third remains unchanged, and compensation for one-third decreases.

Regent Lansing observed that UC Health needs benchmarks to be able to hire, and these benchmarks must reflect real-time data. Regent Elliott expressed concern about the delegated authority to grant increases to existing employees within these MRZs. Regent Lansing responded that the Health Services Committee must approve such increases.

Upon motion duly made and seconded, the Committee approved the President's recommendation, Regent Elliott voting "no."

4. **ESTABLISHMENT OF NEW POSITION IN THE SENIOR MANAGEMENT GROUP OF ASSOCIATE VICE PRESIDENT – CHIEF TRANSFORMATION OFFICER, UC HEALTH, AND THE MARKET REFERENCE ZONE FOR THE POSITION, OFFICE OF THE PRESIDENT**

The President of the University recommended that the Governance and Compensation Committee recommend that the Regents approve the following items in connection with the establishment of the new Senior Management Group position of Associate Vice President – Chief Transformation Officer, UC Health, Office of the President, and the Market Reference Zone for the position:

- A. Establishment of the new Senior Management Group position of Associate Vice President – Chief Transformation Officer, UC Health, Office of the President. This will be a Level Two position in the Senior Management Group.
- B. Establishment of a Market Reference Zone (MRZ) for the position of Associate Vice President – Chief Transformation Officer, UC Health, Office of the President, as follows: 25th percentile – \$361,000, 50th percentile – \$459,800, 60th percentile – \$481,400, 75th percentile – \$513,700, and 90th percentile – \$608,200.
- C. This action will be effective upon approval.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Stobo recalled that three years earlier, in the face of decreasing reimbursement for the clinical enterprise, UC Health undertook a systemwide effort to reduce costs, the Leveraging Scale for Value initiative. Initially, this program identified three areas of focus: procurement, revenue cycle, and information technology. Each area had its own director. The initiative's goal was to reduce costs by \$1 billion over five years. After three years, the savings had amounted to \$750 million. This year, UC Health had added three more areas to the initiative: pharmacy, clinical laboratories, and capital

purchases. UC Health needed to recruit an individual who could lead activities in these six areas. This would be the full-time responsibility of this individual, the Associate Vice President – Chief Transformation Officer, to ensure that UC Health met its new target of close to \$500 million in annual savings.

Committee Chair Sherman asked if the Associate Vice President – Chief Transformation Officer's performance would be judged directly by the amount saved by UC Health, and his or her ability to secure the cooperation of the medical centers. Dr. Stobo responded in the affirmative.

Regent Ortiz Oakley emphasized the need for clarity in defining the nature of the transformation to be achieved by the Chief Transformation Officer. He asked if this was an already existing position that had been repurposed, or a new position that had not existed before, in which case the Regents would be adding a new Senior Management Group position. Dr. Stobo responded that this would be a new position.

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

**5. SEMI-ANNUAL REPORT ON OUTSIDE PROFESSIONAL ACTIVITIES  
APPROVED IN 2017**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Vice President Duckett briefly introduced this item, which presented information on requests for Senior Management Group (SMG) Outside Professional Activities (OPA) that were approved between June and November 2017. Policy revisions adopted by the Regents in July 2016 allow an SMG member to participate in up to two concurrent compensated OPA. Since the revised policy imposed tighter restrictions, the Regents allowed current SMG members with more than two compensated OPA at the time of the policy change to continue in those activities. New hires were informed that they must comply with the policy limitations.

Committee Chair Sherman asked if there had been any exceptions to policy. Mr. Duckett responded that the University had not made any exceptions to policy.

Committee Chair Sherman asked if there was a period of time after which SMG members with more than two compensated OPA at the time of the policy change would have to relinquish activities above the limit. Mr. Duckett responded that this would depend on the nature and term of the specific OPA. He briefly adumbrated the review process in these cases.

Regent Elliott asked if there had been changes in the past two years in the number and volume of SMG OPA. Mr. Duckett responded that the number of compensated outside activities was lower since deployment of the revised policy.

The meeting adjourned at 12:50 p.m.

Attest:

Secretary and Chief of Staff



## **REGENTS POLICY ON COMPLIANCE WITH STATE AUDITS**

### **POLICY SUMMARY/BACKGROUND**

In response to the independent fact-finding review of the Office of the President's handling of campus survey responses to the State Auditor, the Regents reviewed their governing documents and hereby adopt revisions that are intended to expressly prohibit obstruction or interference with the State Auditor or disclosures to the State Auditor and to clarify and strengthen the independence of certain administrators when responding to audits or investigations of the Office of the President.

### **POLICY TEXT**

#### **A. Prohibition on Obstruction of State Auditor**

Members of the University of California Board of Regents, Officers of the Corporation, and University employees shall not, with intent to deceive or defraud, commit obstruction of the California State Auditor in the performance of his or her official duties related to an audit required by statute or requested by the Joint Legislative Audit Committee of the California State Legislature.

#### **B. Prohibition on Interference with Protected Disclosure to State Auditor**

Members of the University of California Board of Regents, Officers of the Corporation, and University employees shall not, directly or indirectly use or attempt to use the official authority or influence of the employee for the purpose of intimidating, threatening, coercing, commanding, or attempting to intimidate, threaten, coerce, or command any person for the purpose of interfering with the right of that person to make a good faith communication to the State Auditor that discloses or demonstrates an intention to disclose information that may evidence improper governmental activity.

#### **C. Communication During State Audits of the Office of the President**

If the subject of the State Auditor's audit or investigation is the Office of the President or any division or department within the Office of the President that reports directly to the President of the University, the Chief Compliance and Audit Officer, when carrying out obligations related to that audit or investigation, shall report solely and exclusively to the Board of Regents, through the Chair of the Compliance and Audit Committee, and the General Counsel, when carrying out obligations related to that audit or investigation, shall report solely and exclusively to the Board of Regents, through the Chair of the Board. Where there is a lack of clarity regarding whether the Office of the President or any division or department within the Office of the President is the subject of the State Auditor's audit or investigation, the Chief Compliance and Audit Officer and the General Counsel shall consult with the Chair of the Board and the Chair of the Compliance and Audit Committee to determine whether single reporting is in effect for purposes of such audit or investigation. Both the Chief Compliance and Audit Officer and the General

Counsel shall be responsible for keeping the Chair of the Board and the Chair of the Compliance and Audit Committee, respectively, apprised of the status of the State Auditor's audit or investigation.

**D. Training and Compliance**

Principal Officers of The Regents and University employees whose jobs are audit-related shall receive training to strengthen their oversight of the University's handling of State Audit responses. The training will cover any new or amended policies related to State Audit responses and related reporting relationships and other relevant governance documents. Principal Officers and employees receiving such trainings shall provide attestations that they have completed such training, and understand and will comply with the policies. Compliance with the policies will be expressly taken into consideration as part of annual performance evaluations and compensation decisions.

**REGENTS POLICY ON INDEPENDENT REPORTING TO THE BOARD BY  
OFFICERS OF THE REGENTS WITH DUAL REPORTING OBLIGATIONS TO THE  
BOARD AND TO THE PRESIDENT OF THE UNIVERSITY**

**POLICY SUMMARY/BACKGROUND**

In response to the independent fact-finding review of the Office of the President's handling of campus survey responses to the State Auditor, the Regents reviewed their governing documents and hereby adopt revisions that are intended to clarify and strengthen the independence of Principal Officers with a dual reporting relationship to the Board of Regents and to the President of the University.

**POLICY TEXT**

**A. Chief Compliance and Auditor Officer Meetings with Chair of Compliance and Audit Committee and Chair of the Board**

To facilitate an effective working relationship between the Chief Compliance and Audit Officer (CCAO) and the Regents and to enhance independent oversight by the Regents, to whom the CCAO owes a direct reporting obligation, the Chair of the Compliance and Audit Committee and the Chair of the Board shall confer with the CCAO alone on a regular basis and shall meet with him or her alone not less than twice a year.

**B. Systemwide Deputy Audit Director Meetings with and Access to Compliance and Audit Committee**

The principal avenue for the Systemwide Deputy Audit Director to communicate with the Committee on Compliance and Audit shall be through the Chief Compliance and Audit Officer (CCAO). Notwithstanding the foregoing, the Systemwide Deputy Audit Director shall have the authority to bring the following matters to the attention of the Chair of the Compliance and Audit Committee, after advising the CCAO of such matters: (1) failure by a senior University official or officials to investigate and/or resolve allegations of improper governmental activities in accordance with law and University policies; (2) violations of law or policy by a senior University official that could result in substantial financial, reputational, or other harm to the University; and (3) obstruction or interference with an audit initiated by the California State Auditor or by the University's independent financial accountants. Additionally, the Systemwide Deputy Audit Director shall have the opportunity to meet annually with the Chair of the Committee on Compliance and Audit outside the presence of other University officials.

**C. General Counsel Meetings with Board Chair**

To facilitate an effective working relationship between the General Counsel and the Regents and to enhance independent oversight by the Regents, to whom the General Counsel owes a direct reporting obligation, the Chair of the Board shall confer with the

General Counsel alone on a regular basis and shall meet with him or her alone not less than twice a year.

**D. Chief Investment Officer Meetings with Chair of Investments Subcommittee and Chair of the Board**

To facilitate an effective working relationship between the Chief Investment Officer and the Regents and to enhance independent oversight by the Regents, to whom the Chief Investment Officer owes a direct reporting obligation, the Chair of the Investments Subcommittee and the Chair of the Board shall confer with the Chief Investment Officer alone on a regular basis and shall meet with him or her alone not less than twice a year.

## AMENDMENT OF BYLAW 23.5 – AUTHORITY AND DUTIES OF THE PRINCIPAL OFFICERS

Additions shown by underscoring; deletions shown by strikethrough

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(b) General Counsel

The General Counsel serves as the Chief Legal Officer of the University, having general charge of all legal matters pertaining to the Corporation and to the University. The General Counsel represents the Regents in all legal, regulatory and administrative proceedings, attends all meetings of the Board and its committees, and has direct access to the Regents. The General Counsel functions as an independent authority providing advice and counsel to the Regents, to University leaders, and to the Academic Senate on legal and regulatory developments, and on the legal risks and opportunities facing the University. Together with the Secretary and Chief of Staff, the General Counsel advises on the University's governing documents and other Regents Policies and procedures pertaining to the governance of the University. The General Counsel oversees all attorneys employed or retained by the University to represent the Regents. Subject to the direction of the President of the University, the General Counsel oversees the delivery of legal services to University administrators. The General Counsel reports to the Board and to the President of the University. The General Counsel is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regard to audits and investigations of the Office of the President, the General Counsel reports solely and exclusively to the Board.

(c) Chief Compliance and Audit Officer

The Chief Compliance and Audit Officer serves as the chief University official having charge of developing and maintaining the University's corporate ethics, compliance and audit programs. The Chief Compliance and Audit Officer has direct access to the Regents and functions as an independent authority to review, audit and evaluate University compliance with law, regulation, policy and ethical principles. The Chief Compliance and Audit Officer is charged with providing regular reports to the Regents and University leadership regarding the outcome of such reviews. The Chief Compliance and Audit Officer is further charged with overseeing the design and implementation of training and other programs to facilitate faculty and staff compliance with applicable law, regulation and policy. The Chief Compliance and Audit Officer is authorized to implement all steps necessary to achieve the objectives of effective and accountable ethics, compliance and audit programs. The Chief Compliance and Audit Officer reports to the Board and to the President of the University. The Chief Compliance and Audit Officer is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regard to audits and investigations of the Office of the President, the Chief Compliance and Audit Officer reports solely and exclusively to the Board.

(d) Chief Investment Officer

The Chief Investment Officer serves as the chief University official having charge of all investment matters pertaining to the Corporation and University. The Chief Investment Officer provides advice and counsel to the Regents, to Board leadership and to University leadership regarding investment policy and performance and has direct access to the Board. The Chief Investment Officer oversees the acquisition, management and disposition of all assets held for investment purposes, as directed by Regents Policy, the Board and/or the President of the University, and acts as the custodian of all investment assets belonging to University. Subject to the administrative oversight of the President of the University, the Chief Investment Officer provides investment services to the University and oversees all investment managers retained by the University to deliver such services. The Chief Investment Officer reports to the Board and to the President of the University. The Chief Investment Officer is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regard to audits and investigations of the Office of the President, the Chief Investment Officer reports solely and exclusively to the Board.

## AMENDMENT OF COMPLIANCE AND AUDIT COMMITTEE CHARTER

Additions shown by underscoring; deletions shown by strikethrough

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### D. Other Oversight Responsibilities.

In addition to the responsibilities assigned to the Committee described above, and to the extent not otherwise within such responsibilities, the charge of the Committee shall include reviewing and making recommendations to the Board with regard to the following matters and/or with regard to the following areas of the University's business:

- Monitoring University compliance with applicable laws, regulations and policies, including those concerning conflicts of interest and financial disclosure, those presenting a risk of a material financial impact to the University, and those relating to the University's policies prohibiting discrimination and harassment
- Developing and implementing the University's compliance program
- Development of a culture attentive to the University's commitment to ethics and compliance
- Developing an effective program for receiving, monitoring and investigating complaints of alleged improper governmental activities (i.e. a whistleblower" program)
- The functional reporting relationship of the Senior Vice President – Chief Compliance and Audit Officer with the Committee
- Operational risk management enterprise wide
- Cyber security risks and management response
- Establishing and overseeing the University's internal audit program
- Internal Audit compliance with the Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing
- Establishing an effective environmental health and safety program
- Responding to external inquiries such as state and federal regulatory investigations and audits
- Litigation settlements and other settlements of disputed claims
- Monitoring and assuring governance, risk management, and control environment related to financial controls, operational controls and legal compliance are effective
- Developing and implementing corrective actions for identified deficiencies in financial controls or legal compliance
- The appointment of the external independent financial auditor, the external audit plan and the general delivery of these services
- Resolving any disputes between the independent financial auditor and management
- Assuring that the independent financial auditor has access to the Committee for independent discussions, where appropriate
- Reviewing with the independent auditors matters required to be discussed under external auditing standards

- Overseeing development and regular review of the University's ethics policies and statements of ethical principles with particular attention to compliance with University policies and applicable laws and regulations
- Monitoring and assuring the independence and accountability of the Chief Compliance and Audit Officer and General Counsel to the Board with regard to ethics, compliance, and risk management issues concerning the Office of the President

The assignment of responsibility to this Standing Committee under Paragraphs C and D signifies that it is the Committee to which matters otherwise appropriate for Board consideration generally will be referred and does not create an independent obligation to present a matter to this Standing Committee or its Subcommittee, to the Board or to any other Committee.

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## AMENDMENT OF REGENTS POLICY 7702 – SENIOR MANAGEMENT GROUP PERFORMANCE MANAGEMENT REVIEW PROCESS

Additions shown by underscoring; deletions shown by strikethrough

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### POLICY TEXT

#### A. **Five-Year Senior Leadership Development Assessment**

A Leadership Development Assessment will be conducted once every five years. The purpose of this assessment is to provide the Senior Management Group (SMG) member with feedback from a broader perspective than is usual with an annual performance evaluation. This is a managerial coaching and development exercise, rather than an evaluation of achievement toward specific goals. Individuals who have direct and specific knowledge of a SMG member's performance and contribution will be consulted to collect their input and feedback relevant to the SMG member's performance. Those consulted should include individuals, as appropriate, from among the following constituents: the Academic Senate, academic unit heads, staff (including subordinates), deans, other administrators within the University, other pertinent external groups and, in the case of the President and Principal Officers of the University, Regents.

The process for conducting the leadership development assessment, the format and any related materials may be developed by each location. The official document of record will reside with each location; however, a copy of the document will be provided to the Office of the President. The Chancellor will determine the appropriate contributors to the assessment of campus SMG members. The Leadership Development Assessment will be initiated by the direct supervisors at each location. As processes are developed, proper consultation with the Academic Senate will occur, where appropriate. For those positions reporting to the President and/or the Regents, the Office of the President will be responsible for establishing a process consistent with this policy.

#### B. **Annual Performance Evaluation**

Performance evaluations will be conducted annually by the direct supervisor for each SMG member on the *University of California Performance Management for Senior Administrators* evaluation form. For campus positions, the Chancellor shall determine the key components in the performance evaluation process, which may include self-appraisals; internal and external sources of information, including client feedback; and input from key stakeholders. The official document of record will reside with each location; however, a copy of the document will be provided to the Office of the President and the overall rating will be recorded in the Senior Leadership Information System (SLIS).

~~For Principal Officers of the Regents reporting to both the Board of Regents and the President, the incumbent will complete a self-assessment and the President will collect input from the Chair of the Board and the designated Regent. The President will develop agreement on the overall assessment and then meet with the Principal Officer to provide the overall performance assessment.~~

For the President and Principal Officers of the Regents reporting solely to the Board of Regents, the Chair of the Board will develop the overall assessment and then meet with the President or Principal Officer to provide the overall performance assessment.

~~The designated Regent for the General Counsel is the Chair of the Board. The designated Regent for the Chief Investment Officer is the Chair of the Investment Committee. The designated Regent for the Chief Compliance Officer is the Chair of the Committee on Compliance and Audit.~~

For Principal Officers of the Regents reporting to both the Board of Regents and the President, the incumbent will complete a self-assessment and provide it to the President and to the Chair of the Board. Upon receipt of the Principal Officer's self-assessment, the President will review the self-assessment and conduct a preliminary overall performance assessment. The Chair of the Board, in consultation with other appropriate Regents, will also review the self-assessment and conduct a separate preliminary overall performance assessment, which will include assessment of the Principal Officer's independence from the Office of the President, where necessary, and the Principal Officer's fulfillment of reporting obligations to the Board. Upon completion of the preliminary assessments, the Chair of the Board and the President shall meet to develop agreement on an overall assessment and then both shall meet with the Principal Officer to provide that assessment to him or her.

Goals and objectives will be established for each employee holding a position which has been designated as a participant at the commencement of or during the performance period. Goals and objectives are to clarify and delineate accountability, create opportunity for the individual to add value to the work of the unit and/or campuses, be aligned with higher level objectives and strategies established by University leadership, and encourage growth and development of the individual. Performance will be measured relative to the attainment of the stated goals and objectives, and significant accomplishments related to the strategic goals and objectives of the University.

#### **C. Annual Performance Review Standards and Competencies**

Standards and competencies will be incorporated into the annual performance management and review process to measure performance in such areas as vision, leadership, people management, creativity and innovation, interpersonal and communication skills, work productivity and quality, resource management and financial budget, diversity, client service, health service, and principles of community. An SMG member with dual reporting responsibilities (General Counsel, Chief Compliance and Audit Officer, and Chief Investment Officer) shall also be evaluated on his or her

independence from the Office of the President with respect to audits or investigations of the Office of the President; oversight over legal risks concerning the Office of the President; and reporting relationship with the Board.

Standards and competencies incorporated into the annual performance management and review process for SMG members with dual reporting responsibilities must include compliance with University policies. Failure to comply with University policies may affect the employee's performance rating and shall be handled in accordance with the Regents' Guidelines for Corrective Actions Related to Compensation Practices and Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews.

**D. Standardized Overall Performance Rating**

To provide a standard University-wide format and rating system for Senior Management Group members, the following scale will be incorporated into the review:

Overall Performance Rating:

- Exceptional Performance is significant overachievement of expectations. A performance rating of "Exceptional Performance" shall not be given if the Senior Management Group employee fails to materially comply with University policies.
- Above Expectations Performance is often beyond expectations. A performance rating of "Above Expectations Performance" shall not be given if the Senior Management Group employee fails to materially comply with University policies.
- Satisfactory Performance consistently fulfills expectations, including but not limited to the expectation of material compliance with University policies. A performance rating of "Satisfactory Performance" shall not be given if the Senior Management Group employee fails to materially comply with University policies.
- Improvement Needed Performance is inconsistent performance, with expectations, including but not limited to the expectation of material compliance with UC policies, only partially achieved. Deficiencies should be addressed in the performance appraisal.
- Unsatisfactory Performance is the failure to achieve the majority of expectations. Deficiencies should be addressed in the performance appraisal.

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## AMENDMENT OF BYLAW 23 – OFFICERS OF THE CORPORATION

Additions shown by underscoring; deletions shown by strikethrough

### 23. OFFICERS OF THE CORPORATION

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#### 23.2 Appointment and Qualifications

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(c) *Principal Officers*

The Principal Officers each shall be appointed by the Board on the occurrence of a vacancy and shall continue in service at the pleasure of the Board. Each of the Principal Officers other than the Secretary and Chief of Staff, in addition to serving as Principal Officers, shall serve as Officers of the University. None of the Principal Officers shall be Regents.

Appointment (including temporary appointment or acting or interim status) of the General Counsel, the Chief Compliance and Audit Officer and the Chief Investment Officer, shall be voted by the Board upon joint recommendation of the Chair of the Board and the President of the University, following consultation with an appropriate Standing Committee or Subcommittee of the Board, as determined jointly by the Chair of the Board and the President, or with a special committee established for that purpose.

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#### 23.3 Removal

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(c) *Principal Officers*

Principal Officers may be removed from their positions as Principal Officers, and as Officers of the University, only on the affirmative vote of a majority of the Regents then in office.

Action to demote or dismiss the General Counsel shall be taken only upon recommendation of either the Chair of the Board or the President of the University. Action to demote or dismiss the Chief Compliance and Audit Officer shall be taken only upon recommendation of the Chair of the Board or the President of the University, in consultation with the Chair of the Compliance and Audit Committee. Action to demote or dismiss the Chief Investment Officer shall be taken only upon recommendation of the Chair of the Board or the President of the University, in consultation with the Chair of the Investments Subcommittee.

**REGENTS POLICY ON APPOINTMENT AND COMPENSATION OF OFFICERS OF  
THE REGENTS WITH DUAL REPORTING OBLIGATIONS TO THE BOARD OF  
REGENTS AND TO THE PRESIDENT OF THE UNIVERSITY**

**POLICY SUMMARY/BACKGROUND**

In response to the independent fact-finding review of the Office of the President's handling of campus survey responses to the State Auditor, the Regents reviewed their governing documents and hereby adopt revisions that are intended to clarify and strengthen the independence of those officers with a dual reporting relationship to the Board of Regents and to the President of the University.

**POLICY TEXT**

**A. Appointment**

In accordance with Bylaw 23.2 (c) appointment (including temporary appointment or acting or interim status) of the General Counsel, the Chief Compliance and Audit Officer and the Chief Investment Officer, shall be voted by the Board upon joint recommendation of the Chair of the Board and the President of the University, following consultation with an appropriate Standing Committee or Subcommittee Chair, as determined jointly by the Chair of the Board and the President, or with a search committee established for that purpose.

Any search committee established for the purpose of searching for and/or recommending selection of the General Counsel must include, at a minimum, the Chair of the Board, the Vice Chair of the Board, the President of the University, and two additional Regents. Any search committee established for the purpose of searching for and/or recommending selection of the Chief Compliance and Audit Officer must include, at a minimum, the Chair of the Board and the Chair of the Compliance and Audit Committee. Any search committee established for the purpose of searching for and/or recommending selection of the Chief Investment Officer must include, at a minimum, the Chair of the Board and the Chair of the Investments Subcommittee. The appointment of the General Counsel, the Chief Compliance and Audit Officer and the Chief Investment Officer requires the recommendation of the Chair of the Board and the President of University and the approval of the Board.

**B. Compensation**

1. The appointment compensation of the General Counsel shall be determined by the Board upon the joint recommendation of the Chair of the Board and the President of the University. Any increase or decrease in base salary shall require the joint recommendation of the Chair of the Board and the President and the approval of the Regents.

2. The appointment compensation of the Chief Audit and Compliance Officer shall be determined by the Board upon the joint recommendation of the Chair of the Board and the President of the University, in consultation with the Chair of the Compliance and Audit Committee. Any increase or decrease in base salary shall require the joint recommendation of the President and the Chair of the Board, in consultation with the Chair of the Compliance and Audit Committee and the approval of the Regents.
3. The appointment compensation of the Chief Investment Officer shall be determined by the Board upon the joint recommendation of the Chair of the Board and the President of the University, in consultation with the Chair of the Investments Subcommittee. Any increase or decrease in base salary requires the joint recommendation of the Chair of the Board and the President, in consultation with the Chair of the Investments Subcommittee and the approval of the Regents.

## Proposed 2018 Benchmarking Framework/ Health Services Market Reference Zones



Title	Incumbent Data as of December 1, 2017		Entity	Market Base Salary Data Effective July 1, 2017				
	Name	Salary		P25	P50	P60	P75	P90
Executive Vice President	Stobo	\$633.8	UCOP	\$576.0	\$780.2	\$816.1	\$869.8	\$1,118.9
<b>CEOs</b>								
Chief Executive Officer	Laret	\$1,072.8	UCSF	\$1,051.8	\$1,215.2	\$1,322.7	\$1,484.0	\$1,651.6
Chief Executive Officer	Spisso	\$1,028.6	UCLA	\$1,051.8	\$1,215.2	\$1,322.7	\$1,484.0	\$1,651.6
Chief Executive Officer	Rice	\$904.8	UCD	\$809.0	\$993.1	\$1,075.7	\$1,199.5	\$1,358.9
Chief Executive Officer	Maysent	\$880.8	UCSD	\$760.7	\$882.8	\$967.9	\$1,095.5	\$1,250.0
Chief Executive Officer	Federoff	\$824.0	UCI	\$679.5	\$844.4	\$904.9	\$995.7	\$1,199.5
<b>COOs</b>								
Chief Operating Officer	Vacant	\$0.0	UCSF	\$620.5	\$672.6	\$745.8	\$855.7	\$1,026.7
Chief Operating Officer	Vacant	\$0.0	UCLA	\$620.5	\$672.6	\$745.8	\$855.7	\$1,026.7
Chief Operating Officer	Simmons	\$592.3	UCD	\$502.2	\$589.4	\$625.4	\$679.5	\$842.9
Chief Operating Officer	Vacant	\$0.00	UCSD	\$449.5	\$556.6	\$594.9	\$652.2	\$751.2
Chief Operating Officer	Gannotta	\$600.0	UCI	\$381.5	\$504.6	\$539.7	\$592.3	\$752.4

# Proposed 2018 Benchmarking Framework/ Health Services Market Reference Zones



Title	Incumbent Data as of December 1, 2017		Entity	Market Base Salary Data Effective July 1, 2017				
	Name	Salary		P25	P50	P60	P75	P90
CNOs								
Chief Nursing Officer and Assistant Dean in the School of Nursing	Grimley	\$391.4	UCLA	\$378.7	\$407.7	\$434.1	\$473.5	\$510.4
Chief Nursing Officer	Marsh	\$358.4	UCD	\$332.0	\$378.7	\$396.5	\$423.1	\$477.0
Chief Nursing Officer	Patton	\$315.0	UCI	\$319.3	\$329.3	\$346.3	\$371.9	\$410.8
CMOs								
EVP, Physician Services and Vice Dean-Clinical Affairs	Adler	\$648.9	UCSF	\$584.2	\$645.7	\$696.0	\$771.5	\$1,002.2
Chief Medical Officer	Kirk	\$546.8	UCD	\$472.0	\$509.5	\$534.6	\$572.3	\$677.5
Chief Medical Officer	Scioscia	\$464.9	UCSD	\$429.1	\$492.8	\$518.1	\$556.1	\$622.1
Chief Medical Officer	Wilson	\$470.0	UCI	\$439.0	\$483.5	\$498.5	\$520.9	\$583.4
CIOs								
Chief Information Officer	Vacant	\$0.0	UCD	\$414.3	\$435.6	\$459.8	\$496.0	\$564.1
Chief Information Officer	Podesta	\$421.8	UCI	\$363.7	\$404.0	\$429.9	\$468.6	\$502.5
CFOs								
Chief Financial Officer	Strickland	\$736.0	UCSF	\$567.0	\$692.5	\$730.4	\$787.1	\$900.6
Chief Financial Officer	Staton	\$662.9	UCLA	\$567.0	\$692.5	\$730.4	\$787.1	\$900.6
Chief Financial Officer	Sial	\$574.8	UCI	\$376.5	\$499.7	\$529.3	\$573.8	\$701.2
Chief Financial Officer	Maurice	\$466.0	UCD	\$477.5	\$554.9	\$591.4	\$646.2	\$808.9
Chief Financial Officer	Donaldson	\$373.9	UCSD	\$423.5	\$525.0	\$545.0	\$574.9	\$697.7



# Proposed 2018 Benchmarking Framework/ Health Services Market Reference Zones



Title	Incumbent Data as of December 1, 2017		Entity	Market Base Salary Data Effective July 1, 2017				
	Name	Salary		P25	P50	P60	P75	P90
UCOP								
Associate VP, Chief Medical Officer - Self Insured Plans	Louie	\$346.8	UCOP	\$290.3	\$319.9	\$332.3	\$351.0	\$494.9
Medical Director, Student Health Insurance Plan	Buchman	\$397.9	UCOP	\$203.6	\$273.5	\$301.8	\$344.2	\$399.5
Associate VP, UC Health	Nation	\$269.7	UCOP	\$174.9	\$219.7	\$262.2	\$326.0	\$428.4
Associate VP, Chief Strategy Officer, UC Health	Engel	\$385.0	UCOP	\$384.0	\$520.2	\$544.0	\$579.9	\$746.0
Chief Legal Counsel for Health Services	Nosowsky	\$303.6	UCOP	\$413.6	\$486.5	\$531.4	\$598.7	\$725.9
Chief Procurement Officer	Vacant	\$0.0	UCOP	\$281.7	\$332.8	\$348.9	\$373.0	\$392.0
Chief Transformation Officer	Vacant	\$0.0	UCOP	\$361.0	\$459.8	\$481.4	\$513.7	\$608.2
Other Roles								
SVP, Clinical Practice and Ambulatory Care	Vacant	\$0.0	UCSD	\$295.1	\$406.5	\$448.9	\$512.6	\$522.7
SVP UCSF Health Affiliates	Vacant	\$0.0	UCSF	\$389.5	\$476.8	\$492.8	\$516.8	\$583.7
SVP, Adult Services/President-UCSFMC	Antrum	\$697.0	UCSF	\$504.5	\$597.9	\$651.4	\$731.7	\$863.2
SVP, Children's Services/President of Benioff Children's Hospital	Anderson	\$946.0	UCSF	\$625.2	\$730.8	\$779.1	\$851.5	\$994.6
Chief Clinical Officer	Baggett	\$390.1	UCSD	\$250.3	\$319.1	\$354.1	\$406.4	\$458.9
VC, Business Development, Innovation and Partnerships	Selick	\$420.0	UCSF	\$323.1	\$392.1	\$408.4	\$432.8	\$581.2
Chief Administrative Officer, Santa Monica	Watkins	\$404.7	UCLA	\$304.9	\$364.8	\$383.1	\$410.5	\$487.3