

Office of the President

TO MEMBERS OF THE GOVERNANCE COMMITTEE:

ACTION ITEM

For Meeting of January 19, 2022

APPROVAL OF MARKET-BASED SALARY ADJUSTMENTS FOR CERTAIN LEVEL ONE SENIOR MANAGEMENT GROUP EMPLOYEES AS DISCUSSED IN CLOSED SESSION

EXECUTIVE SUMMARY

The President of the University recommends approval of market-based salary adjustments for certain chancellors to bring their base salary compensation closer in alignment to market data and industry peers. As Level One members of the Senior Management Group, approval by the Regents is required.

UC consistently ranks as one of the best institutions in the world, among both public and private universities, and is known for its excellence in teaching, research, patient care, and public service.

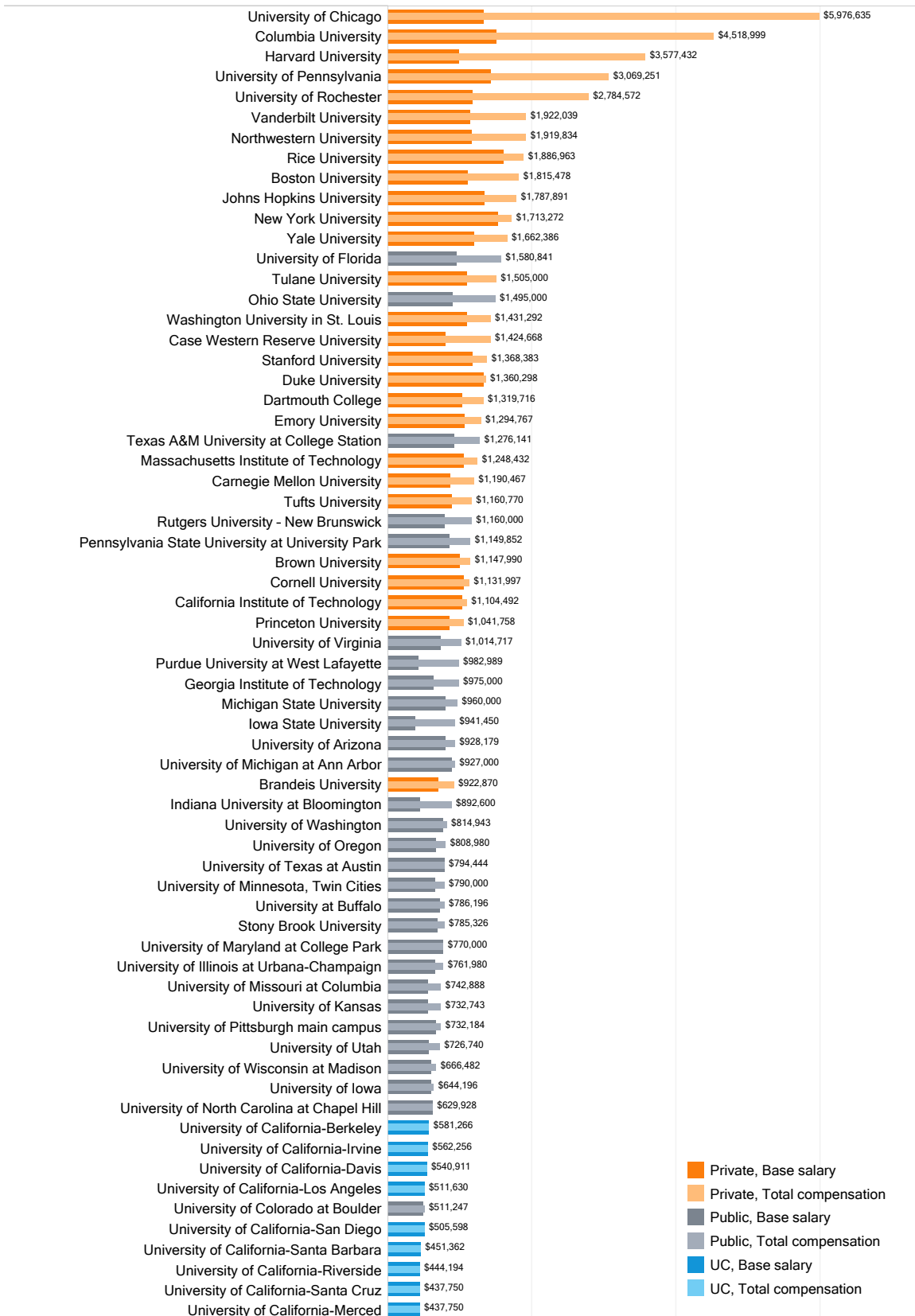
The caliber of UC personnel — its faculty, staff, and administrative leaders — is responsible for the high quality of UC's myriad contributions to the public, throughout California, across the nation, and around the world. Compensating personnel fairly at all levels is essential to maintaining the excellence of UC's workforce, and to meeting the commitments to those the University serves.

The chancellors who lead UC's ten campuses, each a top-ranked university in its own right, are renowned scholars and administrative leaders with significant responsibility for ensuring instructional, research, and operational excellence, and continually advancing UC's service to the public.

Although UC campuses consistently rank among the best in the U.S. and the world, nine of the ten UC chancellors have base salaries below the 50th percentile of the market for their positions. Of those nine, six have base salaries that are below the 25th percentile of the comparative market.

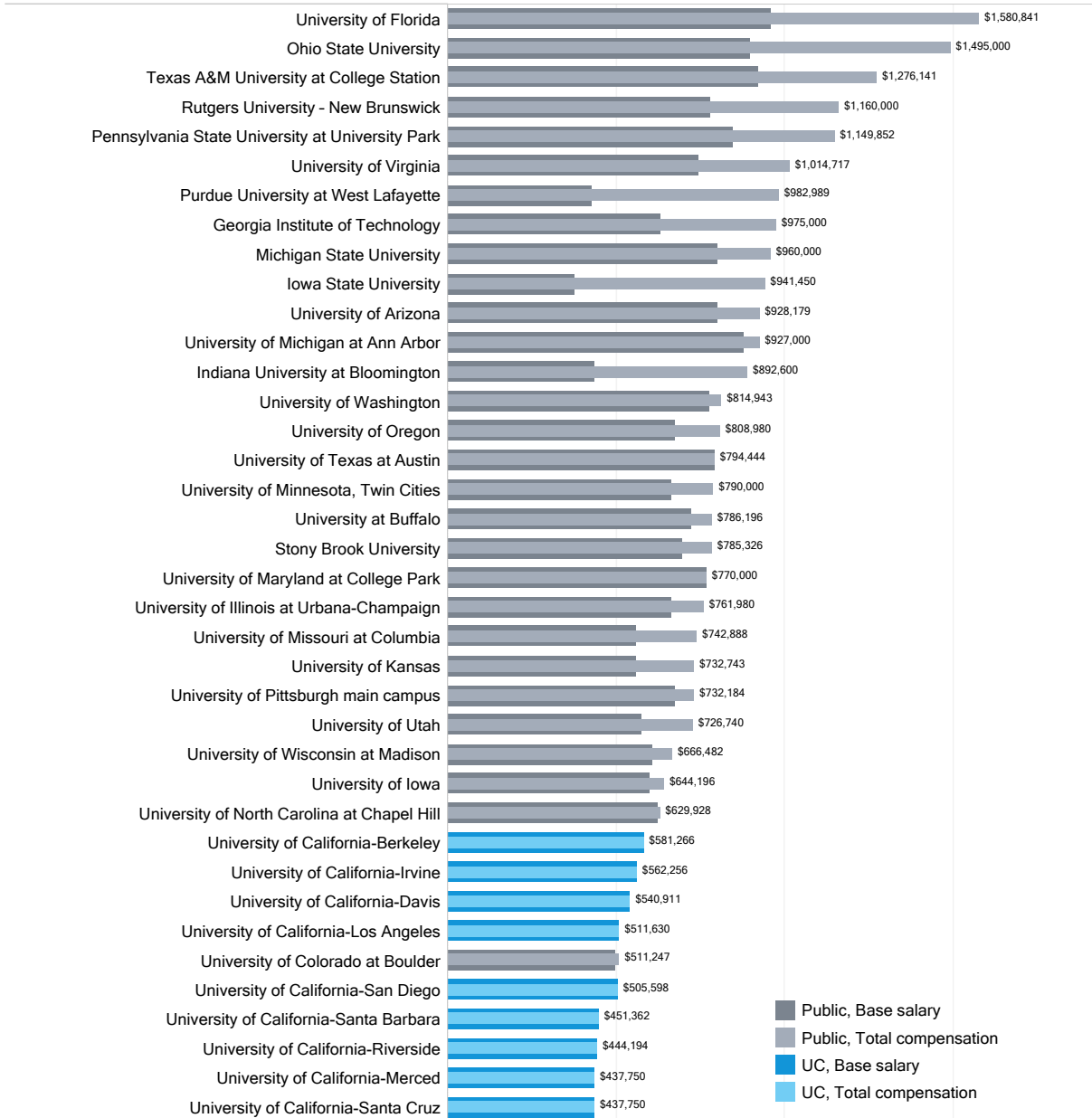
The charts below represent peer institutions in the Association of American Universities (AAU). As reflected in the charts, the median compensation of UC chancellors lags behind that of similar leaders at the AAU peer institutions by 49 percent, falling in the bottom third, despite the size, complexity, and stature of UC campuses. The compensation for UC chancellors trails by 38 percent among their peers at other public AAU members and by 65 percent among their peers at private AAU members.

Chart 1: AAU Institutions – Public and Private



Data source: The Chronicle of Higher Education Executive Compensation Report and institutional data sources

Chart 2: AAU Institutions – Public Only



Data source: The Chronicle of Higher Education Executive Compensation Report and institutional data sources

Chart 3: AAU Institutions – Comparative Median Compensation – Private, Public, UC and Total

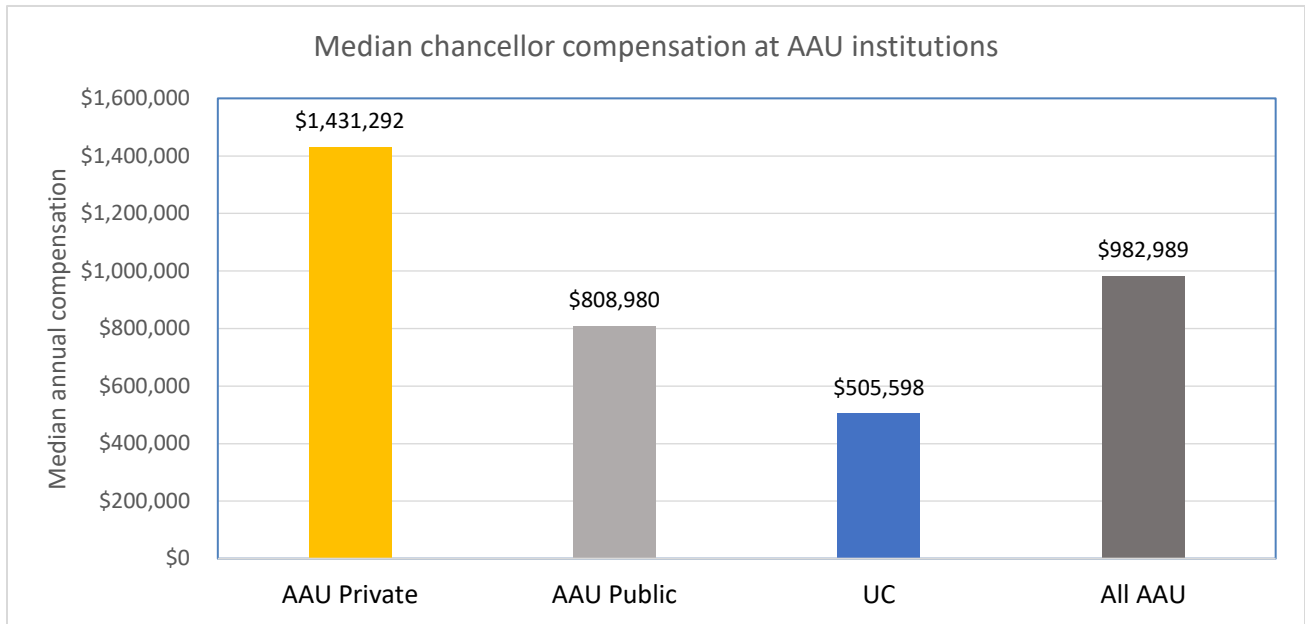


Chart Notes:

- The charts above use the Association of American Universities (AAU) comparison group. AAU is composed of America's leading research universities associated with education, research, and innovation. For additional information: <https://www.aau.edu/who-we-are>
- UC Berkeley, UCLA, UC Davis, UC San Diego, UC Irvine, UC Santa Cruz, and UC Santa Barbara are members of the Association of American Universities (AAU). UC Merced and UC Riverside are not currently members of the AAU, however, they are included to provide a comparison among the UC Chancellors addressed in this item.
- The UC chancellors' compensation is reported as of July 1, 2021.
- For public institutions, the data source which is the Chronicle of Higher Education (CHE), collects information via an exclusive annual survey, most recently published in August 2021, mainly comprised of 2020 calendar year data. To ensure the most current information is presented in the chart, the CHE data was supplemented by publicly available information, such as salary databases, press releases, and news articles.
- For private institutions, CHE obtains the data from IRS form 990s, and the most recent publication is comprised of data from tax year 2018, therefore, there is an inherent lag in the data reported.
- CHE reports that base salary is separate from a bonus, incentive, and other compensation, but includes paid sick pay and employer contributions to a 401(k) or 403(b). For certain public institutions, base salary also includes funding from university-related foundations.
- CHE reports that total compensation includes bonus pay, nontaxable benefits (health and medical benefits, life insurance, employer-provided housing, personal legal and financial services, dependent care, adoption assistance, tuition assistance, cafeteria plan, etc.), deferred compensation payments, and other miscellaneous pay components, excluding set aside amounts for deferred compensation set aside and/or retirement benefits.

As noted in Regents Policy 7103: Policy on Compensation for Chancellors, when a UC chancellor's compensation falls behind the market for university leaders, the President shall recommend to the Regents an adjustment to bring the chancellor's compensation to a level that is more competitive with the average compensation at peer institutions.

Chair Estolano appointed a Regents workgroup, chaired by Regent Leib, to consider the factors noted in policy. The compensation consulting firm, Sullivan Cotter, provided benchmarking data for review, analysis, and discussion by the workgroup. The workgroup concluded its work in December 2021, resulting in this proposal for consideration by the Governance Committee and approval by the full Board of Regents

Salary adjustments are being requested for the nine UC chancellors with base salaries that are currently under the 50th percentile of the market for their positions to better align their base salaries to the experience, expertise, and level of responsibility for their roles and responsibilities.

In relation to only the AAU peer institutions, on average, the proposed salaries do not exceed the 60th percentile of the salaries as reported by public AAU universities in the chart above.

The proposed market-based salary adjustments will be implemented in three steps over three fiscal years, with effective dates of March 1, 2022 (FY2021-22), July 1, 2022 (FY2022-23), and July 1, 2023 (FY2023-24). The total spending for these increases is \$800,423.

The proposed salary adjustments represent a step toward more competitive pay for chancellors, intended to help UC recruit and retain the caliber of diverse leadership required to maintain UC's excellence and the quality of its contributions to the public.

The proposed salary increases are not intended to replace systemwide salary program increases; therefore, all chancellors will remain eligible for merit and/or general increases under the 2022 and/or future annual systemwide salary programs consistent with University-wide guidelines.

RECOMMENDATION

The President of the University recommends that the Governance Committee recommend to the Regents approval of the salary adjustment percentages for certain Level One Senior Management Group employees, within policy, as noted below:

- A. Effective March 1, 2022, adjustment to a baseline of \$519,400, which is the 25th percentile of the comparative market data.
- B. Effective July 1, 2022, market-based adjustment.
- C. Effective July 1, 2023, market-based adjustment.

Title	Incumbent		Current Salary	To Baseline (\$519,400) Effective 3/1/22	Adjustment Effective 7/1/22	Adjustment Effective 7/1/23	Annual Base Salary After Proposed Adjustments ¹	Comparative Market Percentile
Chancellor – UCB	Carol	Christ	\$581,266	N/A	4.8%	4.8%	\$637,798	40.2%
Chancellor – UCD	Gary	May	\$540,911	N/A	4.3%	4.3%	\$587,865	33.8%
Chancellor – UCI	Howard	Gillman	\$562,256	N/A	3.0%	3.0%	\$596,497	34.9%
Chancellor – UCLA	Gene	Block	\$511,630	1.5%	11.0%	11.0%	\$639,953	40.5%
Chancellor – UCM	Juan	Munoz	\$437,750	18.7%	0.2%	0.2%	\$521,896	25.3%
Chancellor – UCR	Kim	Wilcox	\$444,194	16.9%	3.2%	3.2%	\$552,638	29.4%
Chancellor – UCSB	Henry	Yang	\$451,362	15.1%	5.7%	5.7%	\$579,750	32.8%
Chancellor – UCSC	Cynthia	Larive	\$437,750	18.7%	2.3%	2.3%	\$543,036	28.0%
Chancellor – UCSD	Pradeep	Khosla	\$505,598	2.7%	8.7%	8.7%	\$613,707	37.2%

1-Chancellors remain eligible for merit and/or general increases under annual systemwide salary programs

The base salaries described above shall constitute the University’s total commitment for base salary until modified by the Regents, 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.