

Office of the President

TO MEMBERS OF THE COMMITTEE ON COMPENSATION:

ACTION ITEM

For Meeting of July 21, 2016

**AMENDMENT OF REGENTS POLICY 7707: SENIOR MANAGEMENT GROUP
OUTSIDE PROFESSIONAL ACTIVITIES**

RECOMMENDATION

The President of the University recommends that the Committee on Compensation recommend to the Regents approval of the proposed amendments to Regents Policy 7707, Senior Management Group Outside Professional Activities, as reflected in Attachment 1.

Implementation of the new policy will be prospective, meaning that it will apply to future Outside Professional Activities approval requests that do not involve a current activity undertaken by an existing Senior Management Group member.

BACKGROUND

A number of benefits accrue to the University when Senior Management Group (SMG) members engage in Outside Professional Activities (OPA). Often, UC's SMG members are recognized experts in their fields and are asked to serve in advisory or governance roles for scientific boards, foundations, or corporations. In addition, SMG members are actively engaged in local community, governmental or regional economic organizations because of their leadership roles at the University. SMG members also may provide expertise in editing professional or scientific journals, or speak at conferences or professional or academic association events. The University's reputation is highlighted and strengthened as a result of these engagements and exposure. In addition, the University and the SMG member directly benefit from the exposure to different operational or administrative practices, as well as broader business, professional, or educational concepts that they may learn from and adopt. Professional associations and business relationships are established through these activities that allow others to become more familiar with the University's mission, accomplishments and potential; this exposure may lead to support, partnerships, affiliations, and possibly philanthropy. For these reasons, these activities are encouraged.

In all cases and at all times, the primary commitment of University of California SMG members must be the fulfillment of their regular University responsibilities. The revised policy is

strengthened to prevent actual conflicts of interest or commitment. In addition, policy guidance is provided to address those activities that may give the appearance of conflict of interest or commitment even if there is no actual conflict. This policy applies to all SMG members at the University, including those SMG members who have underlying faculty appointments.

Regents Policy 7707, Senior Management Group Outside Professional Activities, was adopted in its current form in 2010. A discussion item regarding proposed changes to this policy was presented during a special meeting of the Committee on Compensation in May 2016. Based on feedback received from the Regents during this meeting, this item proposes additional changes to Regents Policy 7707. The proposed changes provide an additional level of review and approval to help protect the University against actual and perceived conflicts of interest and/or commitment, as well as to ensure greater transparency. In addition, the proposed changes place further constraints on the number of permitted compensated activities, including compensated advisory roles, to a total of two concurrent activities. The proposed changes are summarized below.

Proposed Changes to the Existing Policy

Disclosure and Approving Authority: The current OPA policy defines the Approving Authority as the person or office to whom an individual reports. The proposed change would add another level of approval so that the requestor's manager would review the proposed activity, and if appropriate, sign off on the request, passing it to the next higher level manager for further review and approval. Since some SMG members report to another SMG member who reports to the Chancellor, Laboratory Director, or President, this proposed change ensures that the Chancellor, Laboratory Director or President will always be included in the review and approval process.

- For SMG members who report to another SMG member who reports to the Chancellor, Laboratory Director or President, the immediate manager and the Chancellor (for campus SMG members), the Laboratory Director, or the President will be the Approving Authorities.
- For SMG members who report directly to the Chancellor or Laboratory Director, the Chancellor or the Laboratory Director and the President will be the Approving Authorities.
- For SMG members who report directly to the President, the President and the Chairman of the Board of Regents will be the Approving Authorities.
- For SMG members who report directly to the Regents, the Chairman and the Vice Chairman of the Board of Regents will be the Approving Authorities.

In addition, the policy has been clarified to reinforce the existing requirement that SMG members must obtain approval for all OPA, whether compensated or uncompensated, before they may engage in the activity or announce participation in the activity.

Currently, SMG members are required to complete two forms when seeking approval of their outside activities:

- the OPA Approval Form, and
- the Detailed Information Form

The forms are intended to provide the necessary details of the proposed activity so that the Approving Authorities can make an informed decision and approve or deny the SMG members' request. These forms capture specific information about the OPA service, whether the service is compensated or not, and the details of any compensation, equity or deferred compensation, along with the amount of time anticipated to perform the service. In addition, the Detailed Information Form collects details on newly proposed compensated activities and requires disclosure of the entity name, nature of the business and its location, as well as proposed income including payments, loans, gifts, and travel or expense reimbursements. This form also requests disclosure of any investment in the entity and whether this constitutes more than 10 percent ownership/interest. It also requests information and description of any possible conflict of interest issues.

In addition to these currently required forms, the proposed changes to policy would require the SMG member to submit a statement describing the benefits that accrue to the University for any proposed OPA. This new requirement applies to all service, whether compensated or uncompensated, and irrespective of whether the service is with a for-profit or not-for-profit organization.

Another proposed change to the policy clarifies the review and approval process and timeline, creating a separate review process for new activities. New activity requests can occur at any time during the year. The SMG member would provide full disclosure of the details of the proposed service, including any compensation, the time commitment, and the benefits that accrue to the University if the service were to be approved. The request will be reviewed by an independent committee to assess whether the request presents conflicts of interest or commitment, or the appearance of conflicts. The committee will then present their analysis and recommendation to advise the Approving Authorities, who make the final decision on whether to approve the request. The turnaround time for reviewing and approving or denying any new activity will be no more than 30 calendar days from the date of receipt of a complete packet of materials.

Each year, SMG members are also required to request approval for ongoing, recurring OPA prior to the beginning of the calendar year. Reviews will be conducted for those ongoing OPA that have changed materially from the preceding year. Materiality may include changes in compensation (form or amount), time commitment, changes in organizational status, e.g., mergers, acquisitions, relationships with the University or its entities, or changes (legal or other) that affect its reputation in the community.

Another amendment to the policy would implement a mid-year report to be presented to the Regents' Committee that oversees compensation, so that Regents would receive details on new activities that were approved since January each year. The regular end-of-year report will continue to be produced and will be presented publicly to the Regents.

Actual or Perceived Conflicts of Interest and Reputational Risk: Section III.D.3 of the current OPA policy describes "Actual or Apparent Conflict of Interest and/or Commitment." Instances may occur in which there may be an appearance of a conflict of interest even though the SMG member does not have a financial interest in the decision or direct involvement in

decisions as defined by the Political Reform Act. SMG members are expected to conduct themselves with integrity and good judgment and must avoid the appearance of favoritism in all their dealings on behalf of the University. The responsibility for determining and disclosing whether an actual or perceived conflict of interest and/or commitment may occur rests first with the SMG member and then with his/her Approving Authorities. The proposed language changes “Apparent” to “Perceived.”

In addition, language has been added to the policy that addresses the potential for reputational risk, intended to address affiliations that could diminish the reputation of the institution or system. This would become an additional standard to be considered in the review process for the requestor and the Approving Authorities.

Limitations on Compensated OPAs: The current OPA policy for compensated service limits to three the number of for-profit boards that are not University entities for which an SMG member receives compensation and for which s/he has governance responsibilities. Under the current policy, service as a member of the Board of Directors would constitute governance responsibilities, while service on an advisory committee likely would not constitute governance responsibility. The proposed change would limit the number of concurrent compensated activities to **two**. This limit would apply to all compensated board memberships and would also include any compensated “advisory” or “consulting” activities. Implementation of the new policy will be prospective, meaning that it will apply to future new (not recurring) OPA requests submitted for approval.

Violations: Violations of the Outside Professional Activities policy will be subject to corrective action, consistent with the manner in which the University addresses any policy violation. The action taken will depend on the nature and severity of the conduct. Remedies may include, but are not limited to, issuance of a letter in the personnel file, mandatory training, consideration in the performance review and related salary actions including loss of or reduction in a merit or equity increase, reassignment, demotion, removal from the Senior Management Group position where there is an underlying academic appointment, or termination of employment.

Attachments:

Attachment 1: [Regents Policy 7707, Senior Management Group Outside Professional Activities](#) (redlined)

Attachment 2: [Description of the Justification Letter and the Approval Forms](#)
(includes the Pre-Approval Form and the Detailed Information Form)

Attachment 3: [Competitive Survey of OPA Practices at Other Higher Education Institutions](#)

Attachment 4: [2014 Report on Uncompensated Outside Professional Activities](#)

Attachment 5: [2014 Report on Compensated Outside Professional Activities](#)