

Office of the President

TO MEMBERS OF THE BOARD OF REGENTS:

ACTION ITEM

For Meeting of June 12, 2024

APPROVAL OF APPOINTMENT OF AND COMPENSATION FOR JULIO FRENK AS CHANCELLOR, LOS ANGELES CAMPUS AS DISCUSSED IN CLOSED SESSION

EXECUTIVE SUMMARY

The President of the University recommends the appointment of and compensation for Julio Frenk as Chancellor, Los Angeles campus, effective on his start date estimated to be on or about January 1, 2025. Subject to academic personnel review, the Los Angeles campus will process a request for Dr. Frenk's appointment as a tenured non-salaried member of the faculty at zero percent time at the University of California, Los Angeles.

The current UCLA Chancellor, Gene Block, announced last summer that he would be returning to faculty, and stepping down as of July 31, 2024, and a selection committee was convened to complete a competitive national recruitment and advise the President on the selection of the new UCLA Chancellor.

The proposed annual base salary is \$978,904, of which \$728,904 will be partially or fully State-funded and \$250,000 will be funded through private sources, not from State funding or tuition revenue. A President's Leadership Fund has been established for this purpose.

This is a Level One Senior Management Group (SMG) position. The proposed salary is 3.9 percent above the 60th percentile (\$942,000) and 20.5 percent below the 75th percentile (\$1,231,200) of the Market Reference Zone (MRZ) for this position and 39.9 percent above the base salary of the current UCLA Chancellor (\$699,516).

The proposed placement in the MRZ is consistent with Regents Policy 7701, Senior Management Group Appointment and Compensation, and reflects an appropriate base salary when considering internal peers, the external market, and the scope and breadth of Dr. Frenk's experience and job responsibilities.

RECOMMENDATION

- A. Having completed consultation with the Committee to Advise the President on the Selection of the Chancellor of the Los Angeles Campus, the President of the University

recommends to the Regents that Julio Frenk be appointed as Chancellor, Los Angeles campus, at 100 percent time, effective on or about January 1, 2025.

- B. The President recommends that, contingent upon and effective with Dr. Frenk's appointment by the Regents as Chancellor of the Los Angeles campus, the following items be approved in connection with that appointment:
- (1) Per policy, annual base salary of \$978,904, of which \$728,904 will be partially or fully State-funded and \$250,000 will be funded through private sources, not from State funding or tuition revenue. A President's Leadership Fund has been established for this purpose.
 - (2) Per policy, a hiring bonus of 20 percent (\$195,780) of the proposed base salary, which is intended to make the hiring offer market-competitive and to assist in securing Dr. Frenk's acceptance of the offer. The hiring bonus will be paid in two equal lump sums of \$97,890, each on or about February 1, 2025 and on or about February 1, 2026, and will be subject to the following repayment schedule if Dr. Frenk voluntarily separates from the University of California or voluntarily separates from this position to accept an appointment at another University of California location within two years of his appointment: \$97,890 if separation occurs within the first year of employment, and \$97,890 if separation occurs within the second year of employment, subject to the limitations under policy. Any unpaid hiring bonus will be forfeited at the time of separation if separation occurs for any reason.
 - (3) Per policy, standard health and welfare benefits and eligibility for standard senior management benefits including Senior Manager Life Insurance (eligible upon appointment) and Executive Salary Continuation for Disability (eligible after five consecutive years of Senior Management Group service).
 - (4) As an exception to policy, and as an amendment to the University of California Retirement Plan (UCRP), Dr. Frenk will be eligible to participate in UCRP and receive a Supplemental Retirement Benefit (SRB) established under the UCRP. In lieu of the basic UCRP benefit for the first ten years of Dr. Frenk's University employment as Chancellor, Los Angeles campus, his retirement benefit will accrue at the end of each year of service under the schedule set forth in the SRB.

The SRB will provide the following annual benefits as of the end of Years 1-10: Year 1- \$20,000; Year 2- \$40,000; Year 3-\$60,000; Year 4- \$80,000; Year 5- \$100,000; Year 6- \$130,000; Year 7-\$160,000; Year 8-\$190,000; Year 9- \$220,000; Year 10-\$260,000. Dr. Frenk will be required to make mandatory employee contributions as required under the UCRP and the Defined Contribution (DC) Plan supplement.

If Dr. Frenk steps down as Chancellor prior to the end of Year 10, the annual retirement annuity set forth in the SRB will not increase further, and he will be

entitled to the earned annuity specified in the SRB applicable to the number of years he serves as Chancellor. Should Dr. Frenk step down as Chancellor prior to year 10, and he assumes a tenured faculty position, any additional years of UCRP service credit will be calculated using standard UCRP benefit provisions under the UCRP 2016 Tier. Similarly, if Dr. Frenk begins Year 11 as Chancellor, any additional years of UCRP service credit will be calculated using standard UCRP benefit provisions under the UCRP 2016 Tier. In either scenario described in this paragraph, Dr. Frenk will maintain the earned annuity applicable to the number of years he serves as Chancellor, up to the \$260,000 for Year 10, and he will be entitled to the Pension Choice Defined Contribution supplement for eligible faculty, wherein UC contributes five percent on all eligible pay up to the IRS maximum.

In addition to the normal UCRP funding provided for 2016 Tier members, the University, specifically UCLA, will make supplemental pension contributions for each of the first ten years that Dr. Frenk serves as Chancellor, Los Angeles campus. The supplemental funding for the first ten years, which occurs at the beginning of each year, will be: \$200,000 annually for each of years one through four and \$80,000 annually for each of years five through ten. After year ten, funding will occur in accordance with the normal UCRP funding policy that is applicable to funding the benefits for 2016 Tier UCRP members.

- (5) As an exception to policy, and as an amendment to the UCRP, immediate eligibility for pre-retirement survivor benefits coverage from UCRP, with accelerated service credit, which provides a benefit payable to Dr. Frenk's eligible survivor (as defined in UCRP). In addition, this will include a 25 percent post-retirement survivor continuance of the SRB benefit payable to any eligible survivor for death after retirement, which would also be factored into any joint and survivor benefit elected for a contingent annuitant.
- (6) As an exception to policy, eligibility to participate in the University's fully insured retiree healthcare plans under the following accelerated schedule subject to statutory or regulatory changes in applicable law. Dr. Frenk will receive 50 percent of the maximum University contribution towards medical and dental premiums after completing five years of service as Chancellor, Los Angeles campus. For each additional year of service completed as a member of UCRP, the University contribution will be increased by ten percent. Thus, Dr. Frenk will be eligible for the maximum University contribution upon completing ten years of UCRP service.
- (7) Per policy, University-provided housing while serving as Chancellor.
- (8) Reimbursement of actual and reasonable moving and relocation expenses associated with relocating Dr. Frenk's primary residence as well as professional/scholarly books, records, and equipment, including laboratory supplies, subject to the limitations under policy, except for the specific exception

to policy listed below.

- (9) As an exception to policy, reimbursement of actual and reasonable expenses for up to three trips prior to Dr. Frenk's start date for Dr. Frenk and his spouse to travel between Florida and California to prepare for their relocation to University-provided housing in California, subject to all other limitations under Regents Policy 7710: Senior Management Group Moving Reimbursement.
- (10) Per policy, when Dr. Frenk leaves the Chancellor position, reimbursement of actual and reasonable moving and relocation expenses related to relocating household goods and personal effects, including his personal library, laboratory, and any other related equipment and materials from University-providing housing to a location of his choice in California, subject to the limitations under policy.
- (11) Per policy, while University-provided housing will be Dr. Frenk's primary residence, eligibility to participate in the UC Employee Housing Assistance Program to purchase a secondary residence in conjunction with the University-provided housing and subject to all applicable program requirements.

When stepping down as Chancellor, Dr. Frenk will continue to be eligible to participate in the UC Employee Housing Assistance Program, in accordance with all applicable policies and program requirements, if Dr. Frenk assumes a tenured faculty position at a UC campus.

- (12) Per policy, an administrative fund will be established for official entertainment and other purposes permitted by University policy. Adjustments may occur annually as allowed by policy. Notwithstanding the provisions of University travel policy, Dr. Frenk shall be authorized to utilize business or first class for air travel of at least six hours, provided that such expenses are managed within Dr. Frenk's administrative fund budget and the travel is otherwise authorized by policy.
- (13) As an exception to policy, reimbursement of actual and reasonable travel expenses not to exceed a total of \$25,000 for Dr. Frenk's and/or his spouse to travel between Florida and California as required for University activities during the transition period between the approval of Dr. Frenk's appointment as Chancellor and the completion of the relocation of his family's primary residence to California, subject to other limitations under policy.
- (14) As an exception to policy, reimbursement of actual and reasonable travel expenses not to exceed a total of \$3,000 for Dr. Frenk's daughter to travel between Florida to California to attend UCLA events such as Dr. Frenk's convocation or installation or other major welcome events, subject to other limitations under policy.

- (15) If Dr. Frenk maintains an active research program in connection with a tenured faculty appointment during his appointment as Chancellor, an annual allocation of campus funding will be established for this research during the term as Chancellor. This allowance is not compensation, and Dr. Frenk may only use it for expenses related to his research allowed under University policy.
- (16) Per policy and contingent upon the Los Angeles campus's approval of Dr. Frenk's tenured academic appointment, eligibility to accrue sabbatical credits as a member of tenured faculty, consistent with academic personnel policy.
- (17) As an exception to SMG policy and contingent upon the Los Angeles campus's approval of Dr. Frenk's tenured academic appointment, if Dr. Frenk separates from the Chancellor position within five years of appointment, and the separation is not due to voluntary resignation or termination for cause, Dr. Frenk will be eligible for up to one year of Administrative Leave paid at his full administrative salary, provided that (a) the leave is taken immediately following his service as Chancellor; (b) Dr. Frenk forfeits any sabbatical credits earned during his service as Chancellor; and (c) Dr. Frenk returns to his academic appointment immediately following the end of the administrative leave for a period of time at least equal to the period of the leave.
- (18) For any outside professional activities, Dr. Frenk will comply with the Senior Management Group Outside Professional Activities (OPA) policy and reporting requirements.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: On or about January 1, 2025

Annual Base Salary: \$978,904

Incentive Compensation: N/A

Target Cash Compensation:* \$978,904

Funding: \$728,904 will be partially or fully State-funded and \$250,000 will be funded through private sources, not from State funding or tuition revenue. A President's Leadership Fund has been established for this purpose.

Current Incumbent Data

Title: Chancellor, Los Angeles Campus

Annual Base Salary: \$699,516

Incentive Compensation: N/A

Target Cash Compensation:* \$699,516

Funding: Partially or Fully State-Funded

*Target Cash Compensation consists of base salary and, if applicable, short term and long term incentives and/or stipend.

**COMPETITIVE ANALYSIS FOR CHANCELLOR, LOS ANGELES CAMPUS
(MRZ Title: CHANCELLOR)**

Percentiles	MARKET REFERENCE ZONE FOR BASE SALARY				
	25 th	50 th	60 th	75 th	90 th
Market Data	\$558.7k	\$832.4k	\$942.0k	\$1231.2k	\$1639.7k
% Difference	75.2%	17.6%	3.9%	-20.5%	-40.3%

Survey Source: College and University Professional Association (CUPA) Administrators in Higher Education Salary Survey. CUPA reports base salary only.

The following shows the base salary and total cash compensation for Chancellors/Presidents at comparable public universities per the most current data from the *Chronicle of Higher Education* (Calendar Year 2022):

AAU Public Universities (Listed by Total Compensation – Highest to Lowest)		
Institution	Base Salary (Calendar Year 2022)	Total Compensation (Calendar Year 2022)
The Pennsylvania State University	\$873,274	\$2,009,853
University of Kansas	\$938,385	\$1,356,860
The University of Texas at Austin	\$1,319,498	\$1,342,718
The Ohio State University - Main Campus	\$927,000	\$1,183,188
University of Florida	\$956,655	\$1,159,958
Michigan State University	\$960,000	\$1,035,380
Texas A&M University - College Station	\$924,999	\$987,432
University of Virginia - Main Campus	\$831,730	\$986,437
Purdue University - Main Campus	\$618,729	\$976,587
University of Missouri-Columbia	\$760,000	\$966,308

*AAU - Association of American Universities

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.