

T A S K F O R C E O N

UC Compensation,
Accountability,
and Transparency

R E P O R T
October 2009

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Report of the Task Force Review

October 1, 2009

Chairman Russell Gould
Board of Regents of the University of California

Re: Report of the Task Force to Review the Recommendations of
The 2006 Task Force on UC Compensation, Accountability, and Transparency

Dear Chairman Gould:

In December 2005, former Chair of the Board of Regents of the University of California Gerry Parsky appointed the Task Force on Compensation, Accountability and Transparency and charged the group to conduct an independent review of the University's compensation policies and practices and to recommend reforms.

We start by noting now, as the Task Force did in 2006:

“The University of California is a public institution and a public trust. Its foundation and future depend on the continuing support of the people of California. That support will only continue if the people - and their elected representatives - respect and trust those who lead the University system. That support will only continue if the people and their representatives are confident the University's executive leaders, senior managers, and Regents are doing all they should to ensure the institution is managed effectively and responsibly.”

In 2006, the Task Force found a public institution with precipitously declining levels of trust and support caused by disclosures of inappropriate compensation-related activities and practices, including the failure to comply with compensation policies, the failure to disclose compensation in a clear and public manner, and the failure to report certain compensation information to the Regents as required.

In April 2006, after ten meetings, the Task Force produced a critical report with recommendations in four broad areas – disclosure and transparency, governance and accountability, policies and practices and competitive compensation. (The Task Force recommendations are shown in Appendix 1.) Its report also advised the University:

“The Task Force believes that the leadership of the University – both its senior executives and the Regents – must accept full responsibility for the problems that occurred and take whatever actions are necessary to ensure full accountability both retrospectively and in the future.”

In May 2006, the Regents adopted the recommendations.

*“The goals the
University has
achieved at
this point in its
history could slip
if a blind eye
is turned.”*

Methodology

In 2006, we recommended that the Regents authorize a similarly constituted, independent body after three years to review and report back on the University's progress implementing our recommendations. To perform that review, the current Chair of the Board of Regents, Russell Gould, reconvened as many members of the 2006 Task Force as possible to ensure progress was measured against the standards of the original review. Seven of the nine members of the original Task Force agreed to serve on the 2009 Task Force. The two others were replaced with individuals holding similar University roles. Regent Joanne Kozberg and Assembly Speaker Emeritus Robert M. Hertzberg agreed to serve as Co-Chairs of the 2009 Task Force as they had served the 2006 Task Force.

“Based on the information presented ... combined with the independent verification of the Chief Compliance Officer, we believe the University has achieved [a] culture shift.”

The Task Force convened in public session on August 13, 2009 on the UCLA campus to conduct the review. Notice of the hearing was provided on the Regents' website, the public was afforded the opportunity to attend and comment, and audio coverage of the hearing was provided over the Internet. At the hearing, the public was encouraged to submit comments after the conclusion of the hearing directly to the Secretary and Chief of Staff to the Regents by August 31.

President Mark Yudof, Executive Vice President – Business Operations Katherine Lapp, Vice President – Human Resources Dwaine Duckett and Executive Director of Executive Compensation and Performance Management Dennis Larsen summarized the progress of the University. The administration presented an overview of the status of each of the 22 recommendations, characterizing each as “completed”, “in progress” or “pending”. Their presentation was supplemented by a detailed narrative summary and chart of the progress. (See Appendix 6.) Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca then provided an independent assessment and verification of the progress. (See Appendix 7.)

Findings

In stark terms, the 2006 Task Force concluded that the University had failed to meet its obligations as a public trust and "...needs a sea change in current policies and practices..." Based on the information presented to us at the meeting, combined with the independent verification of the Chief Compliance Officer, we believe the University has achieved that culture shift.

We find it striking that all the members of the presentation team – the senior leadership team of the institution – were hired subsequent to the 2006 Report. The Chief Compliance Officer position reporting directly to the Board is a result of the Report. The Chief of Staff to the Regents position is similarly new and has provided the Board with independent analytical support.

We commend the Board of Regents on the hire of Mark Yudof as President. Having served as Chancellor at the University of Texas and President at the University of Minnesota system, he is a proven and experienced leader with a commitment to accountability. He assumed office in June 2008, well after the initiation of the reforms. However, his leadership in marshalling the reforms to completion is clear to us. We agree with his assessment in his opening remarks that accountability has been institutionalized and embedded in UC culture.

More striking than the personnel change is the determination with which the Board of Regents and the administration addressed our recommendations. These efforts met not merely the letter of the recommendations, but met the spirit of the recommendations consistent with the tone and tenor of the 2006 Report. We are impressed with the amount of effort and the results, the seriousness of purpose with which the reforms were undertaken, and the dedication to operationalize transparency and accountability. Task Force member James Duderstadt observed: "The response of the University, its administration and the Regents has been herculean, far beyond what I would have expected."

More important, the Chief Compliance Officer, who reports directly to both the Board of Regents and the President, provided independent verification of the University's progress. We reviewed the new Chief Compliance Officer's background and found it to be impressive. We asked her directly if she found the characterizations of completion presented by Executive Director Larsen to be accurate. She responded: "I would not let him mark it so if it were not accurate." We find this tone and level of review essential.

The Task Force asked the Chief Compliance Officer to note any conclusion or characterization of progress with which she disagreed or which she believed to be incomplete. She indicated that she did not disagree with any conclusions or assessments of progress. She was asked directly if all relevant information has been disclosed, and affirmed that it had been. She was asked if the 2006 Task Force had framed the right questions for review and agreed that it had. She added that she believed a culture of accountability now permeated the University.

In 2006, we wrote that, "full, proactive, and timely disclosure of information is central to the University of California's obligation to the people of California. Without full disclosure, the legitimacy of the University's role as a steward of public resources cannot be assured." The University has met our expectations.

*"The University
has successfully
addressed disclosure
and transparency,
and governance and
accountability."*

Rather than recite the status of each recommendation, we wish to highlight several of the most significant of the accomplished actions and review in more detail the “in progress” and “pending” categories where further action is needed.

Completed Action Items

- The Regents created a Committee on Compensation and created oversight standards for the review and approval of individual compensation actions as well as compensation policies.

- The Regents adopted a comprehensive definition of “total compensation” and applied the definition to compensation policies and incorporated it into monitoring and reporting standards.

- All elements of compensation are disclosed to the public before the Committee on Compensation vote on compensation for those University employees subject to Regental approval and the public is afforded the opportunity to comment on the proposed compensation.

- The Regents established a template, consistent with our direction, to identify all elements of total compensation. The template is presented to the Regents in advance of meetings and posted publicly after approval.

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- The Regents approved a new format and content for the Annual Report on Executive Compensation. This report details total compensation for all covered employees earning above \$214,000 (reflecting the prior cut-off of \$205,000, adjusted for inflation), not just those whose compensation exceeds the increased indexed compensation level of \$275,000 recently adopted by the Board.
-

- Salary and gross pay for all UC employees is made publicly available.
-

- The Office of the President maintains a website to provide the public with details on compensation information.
-

- The Regents have established clear delineations of authority for actions requiring approval by the Regents, the President or the Chancellors and incorporated those standards into policy and process with reporting and monitoring standards.
-

- Exceptions to policy are clearly defined and the procedure for granting them established in policy.
-

- The Regents have codified their commitment to public disclosure in policy. Sixteen compensation policies were reviewed and rewritten. Ten policies have been approved by the Board with the remaining six to be approved by the end of the calendar year.

In Progress Action Items

- Review all compensation policies and procedures.

The administration reported that ten new senior management compensation policies have been approved and are operational, with the six remaining policies to be presented for action by the Board by the end of the year.

“We are impressed with the amount of effort and the results, the seriousness of purpose with which the reforms were undertaken, and the dedication to operationalize transparency and accountability.”

- Conduct a review of policy to clarify ambiguous language and eliminate conflicts.

The administration reported that given the complexity and volume of policies governing the different groups of employees, the review is and must continue to be an ongoing effort. We agree.

- Establish a new policy governing outside professional activities in consultation with the Academic Senate.

The administration shared a copy of the proposed policy and indicated the policy is to be presented for action by the Board by the end of the year.

- Review the policy on “Administrative Leaves in Lieu of Sabbatical” in consultation with the Academic Senate.

The administration shared a copy of the proposed policy and indicated the policy is to be presented for action by the Board by the end of the year.

Pending Action Items

- **Invest in a modern, comprehensive, integrated human-resources information system (HRIS) to enable compensation data to be quickly examined and analyzed.**

While the University is constrained by the current fiscal crisis from making the significant investment required for this key element, the urgency remains. In 2006, we wrote that, "...UC can establish the best disclosure policies and practices but still fail to achieve them without a modern, integrated human-resources information system..." We still hold this view. In addition, we note that the Chief Compliance Officer pointed to the quality of current data as a point of weakness in the compliance structure, indicating that inappropriately granted exceptions to policy can only be discovered through self-reporting by a campus or through an audit. HRIS must remain a priority for the University.

- **Implement the Regents' stated goal to bring all employees' salaries to market by 2015 and identify additional resources to reach market competitive compensation.**

The University has successfully addressed disclosure and transparency, and governance and accountability. However, we are troubled by the lack of progress on the issue of competitive compensation. In assessing the lack of progress in this area, we found particularly noteworthy President Yudof's observation that the University of California has many activities and missions, some of which operate in very highly competitive markets, particularly for top faculty. The complexity of the University, with over 180,000 employees, means that the level of public support can conflict with the ability to respond to the need for competitiveness. UC finds itself faced with a delicate balance between transparency, accountability, and public acceptance on the one hand and market effectiveness and competitiveness on the other. President Yudof observed that the University may be better at disclosure and transparency than explaining to the public its complexity, roles, and markets.

The reasons for the lack of progress are clear at a glance. The national and state economies are mired in a recession. The State of California has slashed funding to the University for FY 2008-09 and FY 2009-10 by over \$800 million dollars (a 20% reduction over the FY 2007-08 levels), forcing the Regents to declare a fiscal emergency and impose furlough and salary reductions on the faculty and staff through the first half of 2010.

The prospect for further reductions in state funding in the next fiscal year is high. Coupled with the erosion in the public capacity to support public research universities is the erosion in the public will to support public research universities. The consequence of this erosion in public will and capacity is clear: The compensation gap between the public research universities and the private elite universities is as large as at any point in history and will likely grow. Indeed, the Task Force has been advised that since the August 13, 2009 hearing, Executive Vice President – Business Operations Lapp, who was instrumental in the transformation of the culture of the Office of the President, has accepted an offer from Harvard University to serve in an equivalent position.

Chief academic officers at several institutions earn more than the salaries recently paid to the incoming chancellors at UCSF and UCD. We believe it unlikely those individuals would be willing to accept a chancellorship at the University for less than they are currently earning. Task Force member James Morley observed that UC "...is bound to be limiting the pool of people you have to search and over time that statistical issue will come to haunt you." The recent UCSF and UCD searches both resulted in the hire of the best candidates at salaries below market. We are concerned, however, that a sustained lack of resources could affect UC's ability to compete for the best talent available and could eventually come to reshape the institution.

Recommendations

The Task Force offers three recommendations to the Board of Regents.

- 1. The compensation system should be simplified, wherever possible, without sacrificing rigorous review, approval and reporting mechanisms.**

RECOMMENDATION

The UC compensation system remains, despite the diligent work of the last three years, complex, as is the University itself. The intersection and ownership of policies, while vastly improved is not always crystalline. The complexity of the compensation system is not a virtue. The system should be simplified. Leaders with limited administrative experience, such as deans and department chairs, must be able to understand the system and make the appropriate decisions. Over the long run, UC still should strive to simplify and standardize compensation across the campuses. Regents and the President should also continually evaluate whether these new policies governing compensation disclosure, transparency, and accountability provide sufficient flexibility to respond to the severe resource challenges facing the University over the next several years.

- 2. The Regents should consider delegating responsibility for approval of the total compensation of deans to the chancellor of the respective campus.**

RECOMMENDATION

There is a common concern among the Task Force members that our recommendations may have led to an “overcorrection” in the Regents’ review of compensation. In 2006, we found the Regents’ ability to provide oversight of compensation decisions was weakened by the large number of compensation decisions for which they were responsible. Further, we recommended that the Regents review a cohort totaling 264 individuals. The Board is currently responsible for compensation approval for more than 350 individuals.

The Task Force’s 2006 recommendation was that the Board of Regents review and approve only professional school deans. The Regents, however, chose to review and approve compensation for all deans. We believe this approach overlooks the fact that deans are members of the faculty and upon completion of their administrative duties will return to the faculty. Regents need to continually evaluate whether shifts of responsibility to the Board are necessary. In some cases, they may be, and in others they may not be. And this balance may shift back and forth over time as circumstances change.

The administration shared a proposed policy with the Task Force which would remove deans from the Senior Management Group and place them in the Academic Personnel Program. This proposal would result in delegation of the authority to approve deans’ compensation to the chancellors. The proposed policy requires bimonthly and annual reporting to the Board of Regents on compensation for all deans, as well as reporting on deans’ outside professional activities. We believe this balance between delegation and reporting is proper and appropriate and commend the policy to the Board.

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3. **The Regents must ensure that the effectiveness of UC's compensation program is measured not solely by the level of transparency but by its ability to attract and retain the personnel necessary to lead the institution forward.**

RECOMMENDATION

Finally, the Regents must meet the challenge of competitive compensation. In our April 2006 report, we spent considerable time and attention on competitive compensation and concluded:

“For UC to best serve the people of California, the Task Force believes the University must remain in the top tier of the world's research universities. To maintain this level of distinction, it must be able to provide its faculty, administrators, and staff a level of compensation that is competitive with that offered by universities in its peer group.”

That view remains unchanged. As noted above, public research universities in this country are threatened and the funding crisis that currently engulfs the University of California -- which we hold to be the greatest public research institution in the world -- is unparalleled. The vitality of the University of California is at risk.

Addressing the issue of enhancing revenue resources for the University is beyond the scope of our work. However, we have been advised that Chairman Gould and President Yudof have established the UC Commission on the Future to address a host of pressing questions, including how traditional and alternative revenue streams can be maximized in support of UC's mission. We **urge** the Commission to focus its attention and experience regarding revenue options on the need to maintain competitive compensation, without which the institution is at risk.

Conclusion

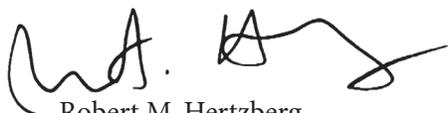
As we indicated in the close of the original Report, we consider UC to be the crown jewel in California's higher education system and the envy of every state and countless nations. The recommendations of the 2006 Task Force were made with the urgent need to protect that resource. The critical element in this review is not merely the question of whether the University met the letter of our original recommendations, but whether the reform can be woven into the fabric of the institution. Anything less fails the test of public trust. We believe the University has made significant progress in meeting this test.

The consensus of the Task Force is that our work is complete. The Chief Compliance Officer has validated the representations of the administration and we endorse her validation. The value of our contribution is at the point of diminishing returns. University advisory committees - and the Regents - should be tasked with tracking progress on the remaining recommendations. The Chief Compliance Officer should continue to review, monitor and audit the efforts. The University must remain vigilant and guarantee that the public resources with which it is entrusted are never again used in ways that fall short of the public's reasonable expectations or the highest ethical and professional standards. This vigilance is a daily process. The goals the University has achieved at this point in its history could slip if a blind eye is turned. The President, the Regents and all Californians must remain forever diligent to protect the University.

“The University must remain vigilant and guarantee that the public resources with which it is entrusted are never again used in ways that fall short of the public’s reasonable expectations or the highest ethical and professional standards.”

We close with a final central observation that underpins all of our work: Any erosion in the quality of the University of California would strike a serious blow to all of American higher education, not to mention the nation, since we all depend upon the high standards, integrity, and strong leadership characterizing this remarkable institution. Thank you for the opportunity to serve the University of California. It has been an honor and a privilege to advise the institution on this significant issue.

Sincerely,



Robert M. Hertzberg

Co-Chair



Joanne C. Kozberg

Co-Chair



Dede Alpert



James J. Duderstadt



B. Kipling Hagopian



T. Harris



James E. Morely, Jr.



Henry C. Powell



Bruce D. Varner

Task Force Recommendations of the 2006 Task Force

Disclosure and Transparency

1. The University should develop and broadly communicate a systemwide policy governing the disclosure of compensation information to the public. Such a disclosure policy must balance public access, personal privacy, and institutional competitiveness by defining what UC considers public versus private/protected information. UC must also provide ongoing training for its leaders and managers about its compensation disclosure policies and practices.
2. UC must ensure that all relevant information about compensation packages is provided to the Regents in advance of approval. Following Regents' approval, compensation information should be disclosed to the public in a timely manner.
3. The University should invest in a modern, comprehensive, integrated human-resources information system that enables compensation data to be quickly examined and analyzed—at the campuses, medical centers, national laboratories, and systemwide—so that UC can meet its obligation of public accountability. Because the new systems will require a major investment of time, money, and staffing, the University should phase in implementation, beginning first with systems that track senior management compensation.
4. The University should establish clear protocols, procedures, and forms that allow for full and timely compensation reporting. These reports should include:
 - Annual reports on base salaries for all UC employees.
 - Annual reports on total compensation for UC executives.
 - Annual reports on outside compensated professional activities.
 - Compliance with annual reporting requirements to the Regents and the Legislature.
 - Regular reviews of compensation policies and practices.
 - Regular reports on compensation actions taken by the Regents at Board meetings as well as compensation actions taken between Board meetings.
5. The University should improve public information and ensure that this information is readily available, including creating a new, easily accessible Web site for posting UC compensation information consistent with the other recommendations in this report.
6. The Regents should reaffirm the definition of “total compensation” in the Regents' 1992 Principles for Review of Executive Compensation and further clarify some missing elements to ensure consistency with accepted standards and practices.
7. The UC Office of the President should immediately assign to one person the Public Information Practices Coordinator role. This staff member should coordinate all Public Records Act (PRA) requests and develop clear protocols and timelines for processing these requests.

Governance and Accountability

1. The Regents should examine specific aspects of the University's compliance mechanisms, and if necessary, make changes or introduce new oversight mechanisms to ensure compliance. Specifically, the Regents' Compensation Committee should have primary responsibility for setting compensation policies and providing necessary oversight to ensure compliance. In order for the Committee to exercise proper oversight, the President should designate a senior official from the Office of the President to serve as the administration's liaison to the Regents' Compensation Committee to implement the Committee's mandate. The University should also establish a compensation oversight committee to work with the administrative liaison to the Regents to ensure that recommendations reflect the needs of the campuses and the accountability requirements of the UC system.
2. The Regents should clearly delineate the respective authority of the Regents, the President, and the chancellors in approving compensation decisions. They should also specify which decisions can be delegated, the conditions under which decisions can be delegated, and the review and approval process for delegated decisions. Compensation decisions should be regularly audited to ensure that they are being made and approved at the appropriate levels.
3. Compensation policies should include specific guidance about when exceptions to policy are appropriate, who may grant them, and through which mechanisms. Exceptions should be subject to rigorous review and advance approval by the appropriate higher authority. To monitor compliance, all exceptions should be reported to a central office or individual.
4. Policies must include specific consequences for violations of compensation policy. Violations should be reported annually to the Regents' Compensation Committee and, where appropriate, sanctions should be issued.
5. UC should immediately eliminate any conflicts in its compensation and related governance policies and clarify precisely which policies apply to different groups of employees.
6. The Task Force recommends that the Regents retain direct authority to approve compensation for the President, senior vice presidents, vice presidents, associate/assistant vice presidents, the university auditor, the university controller, principal officers of the Regents, chancellors and vice chancellors, national laboratory directors and deputy directors, medical center CEOs, professional school deans, and the top five most highly compensated positions at each UC location. This currently yields 264 individuals.
7. UC leaders should vigorously promote standards of ethical conduct and UC should continue to broadly communicate its whistleblower and anti-retaliation policies.

Specific Policies and Practices

1. The University should adopt specific limits on externally compensated activities to preclude conflicts of commitment on the part of senior executives. Based on leading best practices in governance from the public and private sectors, UC senior executives should be limited to serving on no more than three externally compensated boards.
2. Policies governing outside professional activities and board service for senior managers who also hold faculty appointments should be revised so that the senior manager policy prevails.
3. The University should carefully review its policies on “administrative leaves in lieu of sabbaticals” for senior managers who also hold academic appointments, especially chancellors, and revisit the provision that these leaves be paid at the higher administrative salary rate rather than the faculty salary rate. The University must also revisit the questionable practice of honoring sabbatical credits earned at other institutions to ensure it is in accordance with both the letter and the spirit of sabbatical policies. Furthermore, the Regents should eliminate the practice of making payments, at the commencement of employment, to compensate for forfeited sabbatical credits accrued at other institutions.

Competitive Compensation

1. The Regents should implement, in a vigorous and sustained manner, their compensation philosophy emphasizing the importance of competitive compensation as a means to maintain the quality of academic, management, and staff personnel.
2. The Regents should examine the composition of UC compensation to determine if the balance between cash compensation versus health and retirement benefits is optimal for recruitment and retention purposes. The Regents should approach this examination with the understanding that the underlying issues may differ among employee groups and that some issues are subject to the collective bargaining process.
3. The Regents should regularly benchmark the University’s compensation against peer institutions to ensure that UC compensation remains competitive.
4. The Regents’ Compensation Committee should identify and address as quickly as possible the key compensation challenges facing the University today, including the difficulties of competing for employees with better-funded institutions and the sometimes competing demands of market, merit, and equity.

Notice of 2009 Task Force Meeting

NOTICE OF MEETING

TASK FORCE ON UC COMPENSATION, ACCOUNTABILITY, AND TRANSPARENCY

Date: **August 13, 2009**
Time: **2:00 p.m.**
Location: **James E. West Alumni Center**
University of California, Los Angeles

Public Comment Period¹

Remarks of the Task Force Co-Chair Kozberg

Remarks of Task Force Co-Chair Hertzberg

Remarks of President Yudof

Progress on the Recommendations of the 2006 Task Force on UC Compensation, Accountability, and Transparency

¹ This session is for the purpose of receiving public comment on matters relevant to the Task Force. If you wish to address the Task Force, you may sign up to do so at the meeting. You are encouraged to inform the Secretary and Chief of Staff of your intent in advance of the meeting by calling (510) 987-9220. The University of California subscribes to the Americans with Disabilities Act. If you need reasonable accommodation, please contact the Secretary and Chief of Staff's Office by 10 a.m. on Tuesday, August 11.
Guidelines

In fairness to all who wish to address the Committee, each speaker must abide by the individual time limit allotted and announced at the convening of the session. At the end of the allotted time, each speaker will be asked to yield to the next speaker.

Letters to Task Force Members: July 9, 2009 and August 7, 2009



THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

DIANE M. GRIFFITHS
Secretary and Chief of Staff

ANNE L. SHAW
Associate Secretary

OFFICE OF THE SECRETARY AND CHIEF OF STAFF
1111 Franklin Street, 12th floor
Oakland, CA 94607-5200
(510) 987-9220
FAX: (510) 987-9224

July 9, 2009

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

Re: Task Force on UC Compensation, Accountability, and Transparency

Dear Regents,

Chairman Gould has asked that I provide you with an update regarding the Task Force on UC Compensation, Accountability and Transparency. Three years ago, the Task Force issued its assessment of the University's compensation practices. Among its recommendations, the Task Force proposed that a review be conducted three years later on the University's progress in the areas of compensation, accountability and transparency. The Board adopted each of the Task Force recommendations.

Chairman Gould, in consultation with President Yudof, will be reconvening the original Task Force to perform the three-year review. Regent Kozberg and former Speaker of the Assembly Bob Hertzberg will once again co-chair the Task Force. Most of the individuals who served on the original Task Force have agreed to serve again. The Task Force's charge will be to assess the University's progress in addressing their original recommendations. The roster of Task Force members is attached.

Due to the schedules of the members, the Task Force will begin work later this summer and conclude its review thereafter with a report to the Board. In the meantime, if you have any questions regarding the Task Force, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Diane M. Griffiths', with a long horizontal flourish extending to the right.

Diane M. Griffiths



THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

DIANE M. GRIFFITHS
Secretary and Chief of Staff

ANNE L. SHAW
Associate Secretary

OFFICE OF THE SECRETARY AND CHIEF OF STAFF
1111 Franklin Street, 12th Floor
Oakland, CA 94607-5200
(510) 987-9220
FAX: (510) 987-9224

August 7, 2009

MEMBERS OF THE TASK FORCE ON UC COMPENSATION, ACCOUNTABILITY, AND TRANSPARENCY

Re: August 13, 2009 Task Force Meeting at UCLA

Dear Task Force Member:

Thank you for agreeing to serve the University of California as a member of the Task Force on UC Compensation, Accountability, and Transparency.

The Task Force is convening this Thursday from 2:00 to 5:00pm at the James E. West Alumni Center on the UCLA campus and is charged to review the University's progress addressing the recommendations made in the 2006 Report.

To assist you in your review, the University has prepared the enclosed summary narrative of the University's implementation of the reforms and a chart detailing the efforts to address each individual recommendation. Please review the material in advance of Thursday's meeting.

President Mark Yudof, Executive Vice President - Business Operations Katherine Lapp, Vice President for Human Resources Dwaine Duckett, and Executive Director for Executive Compensation Dennis Larsen will present the University's implementation of the 2006 recommendations at the meeting.

For your convenience, I have also included a list of the 2006 Task Force recommendations and a full copy of the Report. Directions to the James E. West Alumni Center and a UCLA map are attached.

If you have any questions regarding any of the material or the meeting, please don't hesitate to call me directly at (510) 987-9220.

I look forward to seeing each of you next week at UCLA.

Sincerely,

Diane M. Griffiths

Compensation Task Force Review Members

Robert M. Hertzberg, Co-Chair

Hertzberg is former Speaker of the California State Assembly, serving from 2000-2002. He is currently a Partner at the global law firm Mayer Brown, LLP. He also serves as Co-Chair of the Leadership Council of California Forward, a bipartisan, private organization dedicated to the renewal of California's fiscal and governing systems.

Joanne C. Kozberg, Co-Chair

Kozberg is a Principal at California Strategies, LLC, a public affairs consulting firm. She formerly served as President and Chief Operating Officer of the Music Center of Los Angeles County and as California's Secretary of State and Consumer Services. She is a member of the UC Board of Regents, a Trustee of the J. Paul Getty Trust, and a Director of the California Community Foundation.

Dede Alpert

Alpert is the Special Advisor in Public Policy and Strategic Planning at Nielsen, Merksamer, Parrinello, Mueller & Naylor, LLP. She served in the California State Assembly for three terms and in the State Senate for two terms. In the Legislature, Alpert chaired the Education Committee in both houses in addition to many other committees.

James J. Duderstadt

Duderstadt is President Emeritus and University Professor of Science and Engineering at the University of Michigan, where he serves as Director of the Millennium Project and also directs the University's program in Science, Technology, and Public Policy. Duderstadt currently serves on or chairs several major national commissions in areas such as higher education policy, computer technology, energy policy, and global sustainability.

B. Kipling (Kip) Hagopian

Hagopian is Managing Partner of Apple Oaks Partners, LLC, a private investment company. He was a co-founder of Brentwood Associates, a high-technology venture capital and private equities firm. Hagopian currently serves as Chairman of Maxim Integrated Products, a public semiconductor and is on a number of other corporate and non-profit boards. He has been a witness at several government hearings on tax policy, venture capital, and securities law.

Jay T. Harris

Harris is the founding director of The Center for the Study of Journalism and Democracy at the Annenberg School for Communication, University of Southern California, where he holds the Wallis Annenberg Chair in Journalism and Democracy. Harris is the former publisher of the San Jose Mercury News and serves on the Board of Directors of the Pulitzer Prize.

James E. (Jay) Morley, Jr.

Morley is a Director of the Washington Advisory Group where he advises on financial, administrative and organizational management for colleges, universities and nonprofits. He formerly served as President and CEO of the National Association of College and University Business Officers (NACUBO), a Washington D.C.-based organization dedicated to higher education administrative and financial issues, and as Senior Vice President at Cornell University.

Harry Powell

Powell will begin his term as Chair of the UC Academic Council, which represents the faculty in the shared governance of the University, effective September 1. He currently serves as Vice-Chair of the Academic Council. Powell is Professor of Pathology at the UC San Diego School of Medicine, where he has served on the faculty since 1976 and served as neuropathology division head from 1986 to 2008. He replaces John Oakley, former Chair of the UC Academic Council, on the Task Force.

Bruce Varner

Varner is a Partner with Varner & Brandt, a law firm where he specializes in general business, corporate and transactional law. He is active in numerous civic and volunteer associations. He is a member of the UC Board of Regents and currently serves as Chair of the Committee on Compensation. He replaces Monica Lozano, a former Chair of the Committee on Compensation, on the Task Force.

Follow-up Report to the Task Force on UC Compensation, Accountability, and Transparency

August 13, 2009

I. Introduction and Purpose

After adopting the recommendations proposed by the Task Force on UC Compensation, Accountability, and Transparency in 2006, the Regents agreed to reconvene in three years' time "...a similarly constituted, independent body to review and report back on the University's progress in these areas.

There are three main areas of focus for the Task Force today:

- Review and validate accomplishments
- Review and comment on pending actions
- Provide guidance on future actions

The following report and materials are provided to assist in the Task Force review:

- A summary report providing the specific actions taken by UC to address the Task Force recommendations
- A chart listing the specific Task Force recommendation, the resulting actions and the details of the status regarding implementation of remedies
- Sample documents to provide additional context

II. Background

The Task Force on UC Compensation, Accountability, and Transparency was created by the then Chairman of the Board of Regents, Gerry Parsky, early in 2006 to "...conduct an independent review of the University's polices and practices on compensation for faculty and senior managers and on the release of public information regarding compensation and related matters, and to recommend improvements."

The review by the Task Force identified twenty-two findings and recommendations categorized under four primary areas:

- Disclosure and Transparency
- Governance and Accountability
- Specific Policies and Practices
- Competitive Compensation

The following information will address those actions that have been implemented and those underway but not fully implemented, organized within the four primary areas noted above.

III. Report on Progress

1. Actions That Have Been Implemented - Disclosure and Transparency

The following describes the accomplishments and ongoing efforts to implement the Task Force recommendations. A graphic summary is in the accompanying chart.

Over the last three years, the University has implemented reforms consistent with the Task Force recommendations including:

- In 2006, the Regents approved the definition of ‘total compensation’, applying this definition to policies, and incorporating it into monitoring and reporting standards.
- In 2006, the Regents redefined and clarified protocol and processes to ensure transparency in disclosing senior leadership compensation actions. Actions are now presented to the Regents in advance of meetings and posted publicly after approval.
- In 2006, the Regents established a practice of consistently and fully disclosing itemized details of compensation proposals to the Regents for approval and, once approved, are posted publicly. A sample Regents item and disclosure is provided as Attachments A & B.
- In 2006, the Regents approved a new format and content for the Annual Report on Executive Compensation. This report is presented to Regents in March of each year and distributed to legislators and the public. This report details the total compensation for staff, systemwide, whose annual cash compensation exceeds the Indexed Compensation Level (\$214,000 in 2009). Attachment C.
- In November 2006, UC produced its first annual public reporting of salary and gross pay for all UC employees systemwide. Attachment D
- In 2007, the report on Compensated Outside Professional Activities for all Senior Management Group staff was expanded to include more details regarding the type and amount of compensation received, as well as time spent on the activity and the number of vacation hours taken to perform the service. Attachment E
- In 2006, UC implemented a data warehouse to collect compensation-related information, referred to as the Senior Leadership Information System (SLIS). This database supports reporting and monitoring efforts used in the production of the bi-monthly transaction monitoring reports, the annual reports on compensated outside activity and the Annual Report on Executive Compensation. Attachments F, E, & C

- In 2006, the Office of the President established and filled a position to oversee Public Information Practices, coordinating all Public Records Act requests for OP. Director of Public Information and Records, Stella Ngai, reports to the Executive Vice President for Business Operations.
- In 2006, Office of the President launched a website to provide the public with details on compensation information. Attachment G

Since 2007, the Office of the President has worked closely with the Senior Vice President for Compliance and Audit to establish ongoing audits to validate accuracy and completeness of campus and OP reporting, monitoring and disclosure of information.

2. Actions That Have Been Implemented - Governance and Accountability

- In 2006, the Regents established a Committee on Compensation and created oversight standards for the review and approval of compensation, policies and other HR-related activities.
- In 2006 the Regents established clear delineations of authority for actions requiring approval by the Regents, the President, or the Chancellors, incorporating these standards into policy and process and establishing reporting and monitoring standards.
 - The Regents exercise approval authority over approximately 350 staff members including
 - all Senior Management Group (SMG) members systemwide,
 - any non-SMG direct reports to the President, and
 - any non-SMG direct reports to the Chancellors whose total compensation is greater than \$275,000 and whose actions would be exceptions to policy.
 - Currently, any actions taken by the President, Chancellors or Lab Director for staff whose total annual compensation exceeds \$214,000 are reported to the Regents at each meeting:
 - Bi-Monthly Transaction Monitoring report;
 - Report on Actions Taken Under Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide (Attachment H).
- Exceptions to policy are now clearly defined. In addition, the revised policies include a section on compliance and responsible officers, and the process for dealing with non-compliance. Attachment I
- The Regents' items provide a detailed description of each action and clearly designate each action as an exception to policy or within policy. Policy exceptions are also noted in public disclosures of actions, and in the monitoring and annual reports on compensation.

- In 2006, Policy Review Committees were established to initiate a review process ultimately resulting in sixteen policies being identified for revision, the details of which are covered in the next section.
- The OP Compliance and Audit office established an ethics training program, mandated for all employees, and integrated it into the ongoing compliance and conflict of interest training sessions, as well as other training modules. Over the last two years approximately 85% of all employees systemwide completed their annual training. It is expected that compliance will increase as the training is expanded.

3. Actions that Have Been Implemented - Specific Policies and Practices

Sixteen policies were targeted for revision and ten have been completely revised and implemented. The revised policies now delineate clear definitions of approval authority, accountability, exceptions to policy and compliance.

The following policies have been revised and implemented:

- SMG Salary and Appointment
- SMG Hiring Bonus
- University-provided housing
- SMG Auto Allowance
- SMG Moving Reimbursement
- SMG relocation allowance
- Separation Agreements (not addressed by the Task Force)
- Rehired Retirees (not addressed by the Task Force)
- Interim policy on Compensated Outside Professional Activities
- SMG Performance Management

4. Actions That Have Been Implemented - Competitive Compensation

In 2005, the first Total Remuneration Study was presented to the Regents. This report provided details of the UC competitive position for cash compensation, benefits and total remuneration for ladder rank faculty and staff. An updated Total Remuneration Study was recently completed using data from 2007, benchmarking against the 26 public and private institutions designated by the California Post-Secondary Education Commission (CPEC). The report is under final review within the Office of the President and will be presented to the Regents in September or November of this year. This study shows that overall Ladder Rank Faculty (LRF) are approximately 20% behind market average salaries at comparable private institutions and approximately 3% ahead of the public institutions. When the public and private data is combined, Full Professors lag this aggregated market average by 10%, Associate Professors lag by 12% and Assistant Professors are behind by 7%. When benefits are brought into the equation, and assuming that employee contributions to UCRP commence in April 2010, total remuneration for overall LRF is 14% behind the privates and 7% above the market average for public institutions. Attachment J

In FY 2007-08, the Regents adopted a four year faculty salary plan designed to address market disparity. The first year of the program was funded; however no further funding was available for year two or three (FY 2008-09/FY 2009-10) due to State budget reductions sustained by the University. In FY 2008-09 and FY 2009-10, faculty merit increases were funded, but staff merits were cancelled. During this period, salary increases for represented staff were honored consistent with the terms of collective bargaining agreements.

IV. Ongoing Efforts

1. Ongoing Efforts - Disclosure and Transparency – Human Resource Information System (HRIS)

In 2006 the Senior Leadership Information System (SLIS) was launched to provide a mechanism for collecting and reporting compensation-related data on the executive group. Although limited in its functionality, it provided a means of consistently characterizing data for reporting and monitoring activity, as well as responding to public information requests. It models capabilities that will be incorporated into a new HRIS.

Also in 2006, UC commissioned Deloitte Consulting to conduct a high-level assessment of all HR information technologies across the UC system. The study also identified challenges associated with efforts to integrate the various HR approaches that currently exist. While resources were not available to implement a comprehensive HRIS solution in the past, the Payroll Personnel System (PPS) project currently underway is designed to improve access to more robust and higher quality systemwide data, with HRIS functionality now being incorporated in the overall project.

A Workgroup, comprised of campus and OP leadership, was recently formed to review options to establish a new PPS with the intention of creating a ‘single instance’ system to pay all University and affiliate employees. Currently there are eleven different payroll systems across the enterprise, and the cost associated with maintaining separate systems requires that this effort be given priority. The current payroll efforts create significant challenges with respect to maintenance, data consistency and resource allocation. This effort, which launches on September 1, will begin to reconcile all eleven instances into a common, core functionality, and then review the various technology solutions to support the payroll effort.

In addition, the Workgroup will explore the feasibility of expanding this project to include an HR IT solution as a front end and ‘system of record’. While payroll may have been the impetus to this undertaking, there is growing acknowledgement that the HRIS overlay represents the largest value added to the project.

The Workgroup has posted a Request for Information (RFI) with various consulting firms and service providers as a means of pre-qualifying the respondents to perform a gap analysis across the UC enterprise. The Workgroup has also produced a ‘white paper’ that provides details on the current situation, identifies key issues, and establishes guiding principles for choosing a process reconciliation path and technology solution. Ultimately, implementation of the new PPS will provide much better controls, such as data entry edits, to improve the consistency of data, and

will better support systemwide compliance and monitoring activity, as well as increase efficiencies and reduce operational costs.

2. Ongoing Efforts - Disclosure and Transparency – Data Consistency

As the PPS project progresses, OP continues working with campuses to standardize payroll codes to achieve consistency in tracking and reporting. The following represents some of the accomplishments to date:

- Certain vague and general-purpose payroll codes such as “by agreement” have been consolidated and restricted, with additional, more detailed documentation providing clearer definition.
- Ongoing training is provided to the payroll managers at the various locations, helping to ensure consistent application and interpretation of codes and procedures.
- Campuses can no longer establish their own new payroll codes but must request Payroll Coordination at UCOP so that consistency and linkage to CPS (Corporate Personnel System) can be assured.

3. Ongoing Efforts - Governance and Accountability - Pending Policy Revisions

Of the sixteen policies that were targeted for revision, the following six policies are currently being revised to be implemented by the end of fiscal year 2009-10:

- Certain sections of the Regents Standing Orders and By Laws are being amended to provide further clarification and align with other policies. The Office of General Counsel has submitted a revised draft for review and consultation. The final amended policies will be submitted for approval by end of calendar year.
- The Outside Professional Activities policy will be finalized and presented to Regents in November. This revised policy will replace the interim policy currently in effect since 2006.
- The policy to migrate Deans from the SMG policies to Academic Personnel policies will be presented to Regents in September. Attachment K (This policy was not identified in earlier Task Force documents.)
- The Transitional Leave policy (Administrative Leave in Lieu of Sabbatical) is being finalized with several approaches identified in consultation with the Academic Senate. The final policy is expected to be submitted to Regents in November.
- The Absence from Work policy is a staff policy that was not identified in earlier Task Force documents, but included to support other policies being revised. This policy has been drafted and is being finalized for approval by the end of the calendar year.
- The policy governing SMG Cash Recognition and Incentive Awards is also under review with OP leadership, and will be submitted for approval by June 2010

4. Ongoing Efforts - Competitive Compensation – Challenges to Progress

The President and the Regents have consistently recognized the importance of ensuring that the University be in a position to provide competitive compensation to faculty and staff to ensure that it can attract and retain the best talent possible. Historically the cash compensation for existing faculty and staff has lagged the market in varying degrees, in one recent case by as much as 37% for Chancellors.

Although the University's benefits have tended to soften the impact of this disparity, the impending restart of employee contributions into the UC Retirement Plan (UCRP) scheduled for April 2010 and the trend of shifting increasing costs of some benefits to employees has resulted in a reduction in the value of these benefits. Additional details of the University's Total Remuneration position to market is contained in Attachment J.

In FY 2007-08, the Regents adopted a four year faculty salary plan designed to address market disparity. The first year of the program was funded; however no further funding was provided for year two or three (FY 2008-09/FY 2009-10) due to State budget reductions sustained by the University. In FY 2008-09 and FY 2009-10, faculty merits increases did continue to be funded even though staff merits were cancelled.

The magnitude of the State funding reductions to the University for FY 2008-09 and FY 2009-10 totaling over \$800 million (a 20% reduction over FY 2007-08 levels) caused the Regents, upon request of the President, to declare a fiscal emergency and impose furloughs/salary reductions on faculty and staff for the period of September 1, 2009 through August 31, 2010.

Clearly these actions caused by the dramatic State funding reductions confronting the University will challenge the University's ability to remain competitive in retaining and recruiting faculty and staff. The next few years will test the University's ability to address fiscal challenges in new and creative ways, to free up resources to reshape the University's future and ensure that appropriate market-based total remuneration is a component of a sustainable solution to maintaining the University's reputation as a top-ranked public research and educational institution.

We believe further examination of our current remuneration strategy will reveal gaps in cash compensation for faculty and staff that will need to be addressed for UC to deliver competitive remuneration.

Several initiatives are scheduled to get fully underway this Fall to construct an overall strategy of Talent Management: Areas include:

- Market Based Pay
- Health and Welfare Benefits
- Retirement Programs

We expect to have defined initiatives that will be ready to launch by FY 2010.

V. Conclusion

Over the last three years, UC has made significant progress in addressing the recommendations of Regent Parsky's Task Force. Many of the issues that made it necessary to convene such a committee have been addressed. However, there are some areas where continued discipline and progress are critical.

Moving forward, efforts must be focused on more of the strategic challenges facing the University. The current financial crisis has dictated that some of the strategic efforts with regard to pay and remuneration be put on hold. With the appropriate controls, checks and balances in place, we believe we can continue to be successful in continuing to rebuild confidence in UC's ability to manage the talent and systems to build upon our status in the educational community.

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Public Disclosure of Compensation Information and Actions</p> <p>1. The University should develop and broadly communicate a systemwide policy governing the disclosure of compensation information to the public. Such a disclosure policy must balance public access, personal privacy, and institutional competitiveness by defining what UC considers public versus private/protected information. UC must also provide ongoing training for its leaders and managers about its compensation disclosure policies and practices.</p>	<p>Establish a new disclosure policy (RE74b.1).</p> <p>Review compensation-related policies and procedures (RE74a.1).</p>			<p>The new policy, adopted by the Regents in September 2006, applied new disclosure standards for the public posting of total compensation details prior to Regents' action and after approval. The Annual Report on Executive Compensation was expanded to capture all elements of total compensation and is presented to the Regents, public and legislature each year. The Report undergoes a series of checks to ensure quality and completeness of the information being reported, including individual certifications and local audits.</p> <p>The following 10 policies have been amended, implemented, and in force:</p> <ul style="list-style-type: none"> • SMG Salary and Appointment • SMG Hiring Bonus • SMG Auto Allowance • SMG relocation allowance • Rehired Retirees • Interim policy on Compensated Outside Professional Activities • SMG Performance Management • University-provided housing • SMG Moving Reimbursement • Separation Agreements <p>The following 6 remaining policies are currently under final review and expected to be implemented later this year:</p> <ul style="list-style-type: none"> • Certain sections of the Regents Standing Orders and By Laws to provide further clarification and updates • Outside Professional Activities policies (consolidated final policy) • Migrating Deans from the SMG policies to Academic Personnel policies (not addressed by the Task Force) • Transitional Leave policy (paid administrative leave in lieu of Sabbatical) • Absence from Work (not addressed by the Task Force, but included to support other policies being revised) • SMG Cash Recognition and Incentive Awards 	

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Disclosure of Compensation Details for Regental Review and Approval</p> <p>2. UC must ensure that all relevant information about compensation packages is provided to the Regents in advance of approval. Following Regents' approval, compensation information should be disclosed to the public in a timely manner.</p>	<p>Establish a new compensation disclosure template (RE74c).</p>				<p>The compensation template, approved by the Regents in 2006, contains specific details on all forms of compensation, including cash, non-cash benefits and perquisites, and any other elements of remuneration associated with each individual action. These details are presented to the Regents in advance of each Regents' meeting. Individual details specify whether the action is an exception to policy or compliant with policy. Details of the approved actions are posted to a public website immediately following Regental action.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation		Regents' Actions	Comments / Status
<p>HR Information Systems for Tracking and Reporting</p> <p>3. The University should invest in a modern, comprehensive, integrated human-resources information system (HRIS) that enables compensation data to be quickly examined and analyzed—at the campuses, medical centers, national laboratories, and systemwide—so that UC can meet its obligation of public accountability. Because the new systems will require a major investment of time, money, and staffing, the University should phase in implementation, beginning first with systems that track senior management compensation.</p>	<p>Conduct a needs assessment (RE74d.1).</p>		<p>UC commissioned Deloitte in 2006 to conduct an assessment of systemwide HRIS needs. Although certain locations (UCB, UCDMC and LBNL) have 'stand-alone' HR information systems, an enterprise-wide solution has been examined. A significant cost and resource commitment would be necessary for the University to undertake the purchase and implementation of a comprehensive HRIS solution. Due to the current resource constraints, this project has been postponed until a later date.</p> <p>However, because an HR information system is typically integrated with a payroll system, and the payroll systems require immediate overhaul, UC is initiating a systemwide project to design and implement a new payroll system which is expected to contain the essential components necessary to implement a broader, more comprehensive HR information system. This effort is in the very early stages of development, but has the support of all campuses.</p> <p>A new Senior Leadership system was implemented in 2006 to capture detailed data used in the Annual Report on Executive Compensation and the bi-monthly transaction monitoring reports presented at each Regents' meeting. OP Human Resources partners with the campuses, lab and medical centers to collect and validate the data used to produce the Annual Report.</p>
	<p>Phased implementation of new system (RE74d.2).</p>		
	<p>Implement a new Senior Leadership Information System to facilitate data collection and reporting (RE74d.3).</p>		
<p>Completed</p>			<p>Pending</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation		Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Establish Protocol for Disclosure and Reporting Compensation Details</p> <p>4. The University should establish clear protocols, procedures, and forms that allow for full and timely compensation reporting. These reports should include:</p> <ul style="list-style-type: none"> • Annual reports on base salaries for all UC employees. • Annual reports on total compensation for UC executives. • Annual reports on outside compensated professional activities. • Compliance with annual reporting requirements to the Regents and the Legislature. • Regular reviews of compensation policies and practices. • Regular reports on compensation actions taken by the Regents at Board meetings as well as compensation actions taken between Board meetings. 	<p>Revise the Annual Report on Executive Compensation to capture all elements of total compensation (RE74e.1).</p> <p>Determine the group under Regents' direct oversight (RE74e.2).</p> <p>Establish compliance standards and assign to the Regents' Compliance Office (RE74e.3).</p>	<p>➤</p> <p>➤</p> <p>➤</p>				<p>The revised Annual Report on Executive Compensation, approved by the Regents in 2006, was expanded to capture all elements of total compensation. A detailed Addendum to the Report, provides specific contextual details and explanatory or clarifying notes. The report for 2008 which presented details on 528 staff, captured all SMG members and any senior staff, including coaches and athletic directors, whose annual total cash compensation exceeded \$214,000. Another broader report provides details on total annual gross pay for all UC employees and is available to the public.</p> <p>The population of UC leadership subject to Regental review and approval was established by the Regents in 2006 and is reviewed and adjusted annually. Currently, compensation-related actions for approximately 350 SMG members and other senior staff are presented to the Regents for review and approval. Approval of actions affecting staff below the SMG level are delegated to the Chancellors, Lab Director, and President, and are reported to the Regents at each meeting for those non-SMG staff members whose annual cash compensation exceeds \$214,000.</p> <p>Compensation-related policies governing SMG members are scheduled for regular, ongoing reviews to ensure that policies reflect appropriate market-prevalent practices, reflect any changes in regulations or laws, and appropriately support the business needs of the University.</p> <p>Reports are presented to the Regents providing details on interim actions approved by the Regents between meetings. In addition, the actions taken by the campuses and medical centers under Regentially-approved delegations of authority are reported at each Regents' meeting.</p> <p>The Office of Ethics, Compliance and Audit Services was established and the Senior Vice President & Chief Compliance and Audit Officer, Sheryl Vacca, was hired in October 2007.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Establish Website for Posting Information</p> <p>5. The University should improve public information and ensure that this information is readily available, including creating a new, easily accessible Web site for posting UC compensation information consistent with the other recommendations in this report.</p>	<p>Develop a website to provide compensation information, reports and studies (RE74f).</p>				<p>The compensation website was launched in May 2006 and contains details on the compensation programs, approved actions, policies and other communications related to competitive positioning.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Define 'Total Compensation'</p> <p>6. The Regents should reaffirm the definition of "total compensation" in the Regents' 1992 Principles for Review of Executive Compensation and further clarify some missing elements to ensure consistency with accepted standards and practices.</p>	<p>Reaffirm 1992-93 Principles governing executive compensation (RE74g.1).</p> <p>Define "total compensation" (RE74g.2).</p> <p>Revise reports, forms, policies and procedures (RE74g.3).</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>The Regents approved the actions in RE76 reaffirming the 1992-93 Principles governing executive compensation. These principles were also incorporated into the revised compensation-related policies for Senior Managers.</p> <p>The Regents also approved in 2006 the definition of "Total Compensation" which helped shape the content included in the action items presented to Regents for approval, the compensation form, the Annual Report on Executive Compensation and all public disclosures of compensation information. Reports, forms, policies and procedures have been updated to reflect this definition.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Establish Position to Oversee Public Information Practices</p> <p>7. The UC Office of the President should immediately assign to one person the Public Information Practices Coordinator role. This staff member should coordinate all Public Records Act (PRA) requests and develop clear protocols and timelines for processing these requests.</p>	<p>The Office of the President should assign coordination of Public Information Requests (RE74h.1).</p>				<p>The role has been established and filled with a permanent appointment who coordinates all incoming requests and compiles all information in response. This allows for clear and consistent responses and a single point of accountability.</p>

Task Force on UC Compensation, Accountability, and Transparency

Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Establish Committee on Compensation and Mechanism to Oversee Compliance</p> <p>1. The Regents should examine specific aspects of the University's compliance mechanisms, and if necessary, make changes or introduce new oversight mechanisms to ensure compliance. Specifically, the Regents' Compensation Committee should have primary responsibility for setting compensation policies and providing necessary oversight to ensure compliance. In order for the Committee to exercise proper oversight, the President should designate a senior official from the Office of the President's liaison to the Regents' Compensation Committee to implement the Committee's mandate.</p> <p><i>(continued on next page)</i></p>	<p>Establish a Compensation Committee on charged to have primary oversight of University compensation-related policies, practices and actions. (RE74i.1).</p> <p>Establish an oversight mechanism to ensure compliance (RE74i.2).</p> <p>Establish a liaison between Office of the President and the Regents to help ensure proper oversight (RE74i.3).</p> <p><i>(continued on next page)</i></p>	<p style="text-align: center;">➤</p>	<p style="text-align: center;">➤</p>	<p style="text-align: center;">➤</p>	<p>The Regents established the Committee on Compensation as a Standing Committee in 2006, appointing a Chair from among the Regents to establish proper oversight standards for the review and approval of compensation, policy and other HR-related activities.</p> <p>Regular reporting and disclosure standards were adopted by the Regents in 2006, along with compliance and monitoring standards. These are consistently and clearly represented in policies. Reports are produced annually to provide a comprehensive view of executive compensation practices for all staff whose total annual cash compensation exceeds the Regentally-established compensation threshold, set at \$214,000 in 2008.</p> <p>The Regents established the position of Executive Vice President – Business Operations who serves as the primary liaison to the Regents' Committee on Compensation.</p> <p>Advisory and implementation committees were formed and actively engaged in the development and implementation of policies and actions associated with the Task Force recommendations. These efforts produced policies establishing Regental oversight of compensation actions, establishing a definition for 'total compensation', disclosure and transparency standards, establishing lines of accountability for actions, and other initiatives described in more detail throughout this document. Periodic audits are performed to ensure adherence to policy and process.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Comments / Status
<p>Establish Committee on Compensation and Mechanism to Oversee Compliance (continued)</p> <p>The University should also establish a compensation oversight committee to work with the administrative liaison to the Regents to ensure that recommendations reflect the needs of the campuses and the accountability requirements of the UC system.</p>	<p>Establish an implementation committee to assist Regents in implementing the Task Force recommendations (RE74i.4).</p> <p>Establish an advisory committee to provide guidance and direction for policy and procedure (RE74i.5).</p>	<p>Completed</p> <p>In Progress</p> <p>Pending</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation		Regents' Actions			Comments / Status	
		Completed	In Progress	Pending		
<p>Delineate Authorities</p> <p>2. The Regents should clearly delineate the respective authority of the Regents, the President, and the chancellors in approving compensation decisions. They should also specify which decisions can be delegated, the conditions under which decisions can be delegated, and the review and approval process for delegated decisions.</p> <p>Compensation decisions should be regularly audited to ensure that they are being made and approved at the appropriate levels.</p>	<p>Establish clear delineations of authority (RE74j.1).</p> <p>Establish and conduct regular audits (RE74j.2).</p>				<p>Approval authority was delineated by the Regents in 2006 and reviewed and adjusted by the Regents annually thereafter. The Regents currently review and approve actions for approximately 350 SMG and other senior leadership staff. In 2008 the Regents approved delegations of authority to the President, Chancellors and Lab Director for actions pertaining to certain non-SMG staff. As a key condition of this delegation, bi-monthly reports are presented at each Regents' meeting disclosing the details of actions taken under this delegation by the President, Chancellors and Lab Director for any staff member whose compensation exceeds \$214,000. When actions are identified that should have been approved by a higher authority, e.g., the Regents, corrective actions are implemented and the item is presented for 'retroactive approval' and appropriate disclosure.</p> <p>Regular periodic audits and reviews are conducted in conjunction with the filing of the Annual Report on Executive Compensation, which captures all delegated actions as described above, as well as other compensation-related actions including those approved by the Regents.</p>	

Task Force on UC Compensation, Accountability, and Transparency

Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Comments / Status		
		Completed	In Progress	Pending
<p>Clarify and Define Exceptions to Policy</p> <p>3. Compensation policies should include specific guidance about when exceptions to policy are appropriate, who may grant them, and through which mechanisms. Exceptions should be subject to rigorous review and advance approval by the appropriate higher authority. To monitor compliance, all exceptions should be reported to a central office or individual.</p>	<p>Create and implement a new compensation disclosure template (RE74k.1)</p> <p>Create an information system that captures, tracks and monitors exceptions to policy (RE74k.2)</p> <p>Review and revise policies (RE74k.3)</p> <p>Annual audits will include examination of exceptions and the supporting rationale (RE74k.4).</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>All compensation items that are presented to the Regents for approval now contain a detailed chart listing every element of total compensation provided to the individual, specifying whether it is within policy or an exception to policy. When exceptions to policy are requested, background information is provided so the Regents may understand the context and business rationale for the request. Exceptions require a higher level of review and approval, such that if actions within policy would normally be delegated to the Chancellor for approval, exceptions would require the President's review and approval; all SMG actions require Regental approval. Details of those SMG and other actions presented to the Regents for approval, including the compensation chart specifying whether the compensation elements are exceptions or within policy, are posted publicly at each Regents' meeting. Actions that are delegated by the Regents to the President, Chancellors and Lab Director are reported to the Regents at each meeting through the Bi-Monthly Transaction Monitoring Report and also capture the details of the actions including specifying exceptions to policies.</p> <p>The Annual Report on Executive Compensation provides a comprehensive, detailed listing and description of the total compensation for all senior leadership at the University, clearly specifying those elements of compensation that are exceptions to policy.</p> <p>Certain policies, as described in the first item in this report, are currently under review, with a number already amended and implemented. Final Regental approval of remaining policies will occur by the end of fiscal year 2009-10. Audits will be conducted periodically after implementation.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Violations of Policy</p> <p>4. Policies must include specific consequences for violations of compensation policy. Violations should be reported annually to the Regents' Compensation Committee and, where appropriate, sanctions should be issued.</p>	<p>Develop a specific policy on violations of University policy or law (RE741.1).</p> <p>Review and clarify policy language to address consequences of violations (RE741.2).</p>	<p>➤</p> <p>➤</p>			<p>In November 2006 the Regents established guidelines to define three levels and types of policy violations. Each level has a range of corrective or disciplinary actions associate with it. These guidelines are referenced within new policies and applied if and when violations are discovered. Each revised policy contains a section that specifically addresses compliance, assigns an executive officer responsible for ensuring compliance, and specifies the corrective actions approved by Regents in 2006 as the mechanism for addressing violations and infractions. In May 2006 the Regents established a policy addressing violations of policy or law by individuals with negotiated separation agreements, and the disposition of any separation pay. In addition, there are policies (PPSM 60-67, APM336) that deal with disciplinary and separation actions.</p>

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Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status	
<p>Policy Review and Revision</p> <p>5. UC should immediately eliminate any conflicts in its compensation and related governance policies and clarify precisely which policies apply to different groups of employees.</p>	<p>Undertake a policy review to clarify ambiguous language and eliminate conflicts (RE74m.1).</p> <p>Create an advisory Committee (RE74a2).</p> <p>Retain a consultant to assist in preparing the overall policy review framework (RE74a.3).</p> <p>Determine if external consulting help is needed to establish ongoing training (RE74a4).</p>					<p>Many of the major policy conflicts and ambiguities have been addressed and corrected. However, given the complexity and volume of policies governing the different groups of UC employees, this will be an ongoing effort. Although the overall policy review is still underway, as described earlier in this document, interim policies, e.g., Compensated Outside Professional Activities, have been implemented to provide clarification and guidance until the full policy review can be concluded.</p> <p>A policy advisory group was established to create a process and framework to guide policy review and development, prioritization, and assessment of competitive market practices. Subject matter experts, including campus and OP resources, provided specific input in the review and development of policies. The Compliance group continues to be involved in the remaining policy reviews and dissemination.</p> <p>Policy training and communication is ongoing between the OP SMG compensation team and SMG Coordinators at the campuses, medical centers and lab. Regular conference calls and consultations occur to address policy questions and to clarify interpretations. Clarifications are shared with all Coordinators across the system and incorporated into policy revisions, FAQs, and other communications.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Regental Approval Authority</p> <p>6. The Task Force recommends that the Regents retain direct authority to approve compensation for the President, senior vice presidents, vice presidents, associate/assistant vice presidents, the university auditor, the university controller, principal officers of the Regents, chancellors and vice chancellors, national laboratory directors and deputy directors, medical center CEOs, professional school deans, and the top five most highly compensated positions at each UC location. This currently yields 264 individuals.</p>	<p>Modify policies, procedures and reports to include the recommended positions (RE74n.1).</p> <p>Conduct further study on including the 'top five most highly compensated positions' (RE74n.2).</p>	<p>✓</p>	<p>✓</p>		<p>Regents retain authority to review and approve compensation transactions for all SMG members, a broader group of employees than those originally identified, e.g., all Deans are currently under the purview of the Regents rather than just the professional school deans. The population subject to Regental review and approval totals approximately 350 individuals.</p> <p>Upon further review with the Regents it was determined that capturing the top five most highly compensated employees for approval of actions was problematic since the definition of 'the top 5 highly compensated' is necessarily retrospective; this definition was not adopted by the Regents for establishing approval authority. However, the annual compensation report, which provides gross annual pay, provides data on the most highly compensated employees.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

		Comments / Status		
Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending
<p>Ethics</p> <p>7. UC leaders should vigorously promote standards of ethical conduct and UC should continue to broadly communicate its whistleblower and anti-retaliation policies.</p>	<p>Establish an Ethics training program (RE74o.1).</p> <p>Implement Ethics training program (RE74o.2).</p> <p>Report on ongoing efforts re: ethics training (RE74o.3).</p>			<p>An online ethics training program was adopted and implemented in 2006. During 2008, the training related to ethics began to be integrated into the ongoing compliance and conflict of interest training, as well as other training modules such as Researcher training. Reporting is accomplished through the quarterly compliance reports. Training is mandated for all employees on an ongoing, annual basis. Over the last 2 years, 85% of employees systemwide fulfilled their training requirement. It is expected that as training programs are further refined and the ethics component is integrated into the programs this compliance rate will increase.</p>

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Task Force Recommendation	Regents' Actions	<div style="display: flex; justify-content: space-between;"> Completed In Progress Pending </div>	Comments / Status
<p>Policy on Outside Activities</p> <p>1. The University should adopt specific limits on externally compensated activities to preclude conflicts of commitment on the part of senior executives. Based on leading best practices in governance from the public and private sectors, UC senior executives should be limited to serving on no more than three externally compensated boards.</p>	<p>Establish a policy governing outside service on boards (RE74p.1).</p>		<p>In 2006, the Regents adopted a revised 'interim' policy and expanded reporting requirements for compensated outside professional activities for the senior management group. This interim version defined "board service" and placed limits on the number of boards on which one may serve.</p> <p>The revision to this policy is substantially complete, pending further review including consultation with the Academic Senate. This interim policy will prevail until the full policy can be revised and implemented, which is anticipated to conclude later this year.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Policy Revision and Clarification</p> <p>2. Policies governing outside professional activities and board service for senior managers who also hold faculty appointments should be revised so that the senior manager policy prevails.</p>	<p>A new policy should be established governing outside professional activities in consultation with the Academic Senate (RE74q.1).</p>				<p>Several options have been identified in consultation with campus and academic senate constituents. The revision to this policy is substantially complete, and is expected to be implemented later this year.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Policy Review and Revision</p> <p>3. The University should carefully review its policies on “administrative leaves in lieu of sabbaticals” for senior managers who also hold academic appointments, especially chancellors, and revisit the provision that these leaves be paid at the higher administrative salary rate rather than the faculty salary rate. The University must also revisit the questionable practice of honoring sabbatical credits earned at other institutions to ensure it is in accordance with both the letter and the spirit of sabbatical policies. Furthermore, the Regents should eliminate the practice of making payments, at the commencement of employment, to compensate for forfeited sabbatical credits accrued at other institutions.</p>	<p>Review the policy on “Administrative Leaves in Lieu of Sabbatical” in consultation with the Academic Senate (RE74r.1).</p>				<p>In 2006 the Regents disallowed the cashing out of sabbatical credits earned at other institutions for newly-hired SMG members.</p> <p>A fully revised policy is substantially complete and is expected to be presented to Regents for approval later this year.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Compensation Philosophy</p> <p>1. The Regents should implement, in a vigorous and sustained manner, their compensation philosophy emphasizing the importance of competitive compensation as a means to maintain the quality of academic, management, and staff personnel.</p>	<p>Implement the compensation philosophy adopted by the Regents in November 2005 under RE61, including bringing salaries to market within 10 years (RE74s.1).</p> <p>The Regents, in consultation with the faculty, staff and administrators, will identify additional resources to reach market competitive compensation (RE74s.2).</p> <p>Establish external, regular benchmarking for compensation analyses (RE74s.3).</p>				<p>Consistent with RE61, additional funding for merit/equity increases was provided in 2005-06 and 2006-07 for staff. The faculty plan to reach market in four years was implemented in year one but suspended for subsequent years' actions due to the severe budget reductions. Additional information is presented below.</p> <p>Benchmarking of salaries, total cash compensation and total remuneration has been established and is ongoing on a regular basis. The University collects data on the 26 public and private institutions designated under the protocol established by the California Postsecondary Education Commission (CPEC).</p> <p>Although, in general, salaries of most employee groups continue to lag the market, in some cases by significant amounts, funding is not available to close the gap. Closing this gap in the future will be significantly more expensive and will present substantial funding challenges. In addition, as the market gap widens, retaining quality faculty and staff will become more difficult, and recruiting top-flight replacements at market-prevailing wages will further heighten internal awareness of the disparities.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Total Remuneration Review</p> <p>2. The Regents should examine the composition of UC compensation to determine if the balance between cash compensation versus health and retirement benefits is optimal for recruitment and retention purposes. The Regents should approach this examination with the understanding that the underlying issues may differ among employee groups and that some issues are subject to the collective bargaining process.</p>	<p>Conduct an analysis of total compensation (RE74t.1).</p> <p>Establish an advisory committee comprised of faculty, staff and administrators to review compensation (RE74t.2).</p>				<p>A complete update to the 2005 Total Remuneration Study was completed in May 2009, in full consultation with an Advisory Group from the UC Faculty Welfare Committee of the Academic Senate. The report captures detailed information on all aspects of cash and non-cash compensation, assigning a value to benefits and other non-cash forms of remuneration. The Study compares these values to public and private institutions, as well as industry cohort comparators. Specific analyses break out the various UC employee segments into Faculty, SMG, MSP, PSS (policy-covered staff), and PSS (represented staff). The Study includes results for UCOP, the Campuses and Medical Centers. The Study will be a critical resource for the work of the President's Task Force on Post Employment Benefits. Plans call for the presentation of key findings of the Study to be presented to the Regents later in 2009 as part of the budget planning cycle of the University.</p>

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<p>Compensation Studies</p> <p>3. The Regents should regularly benchmark the University's compensation against peer institutions to ensure that UC compensation remains competitive.</p>	<p>Establish compensation benchmarking processes (RE74u.1).</p> <p>Implement the compensation philosophy adopted under RE61 (RE74u.2).</p>				<p>UC participates in third-party compensation surveys and benchmarks against the 26 public and private educational institutions as established by CPEC to determine relative position to market. Base salaries of certain categories of employees, e.g., faculty, senior staff, etc., continue to lag the market by significant amounts. These market analyses will continue despite the current fiscal situation so that our competitive position is clearly understood and can be addressed in part or as a whole when the fiscal situation improves or as circumstances warrant.</p>

Task Force on UC Compensation, Accountability, and Transparency Status of Implementing Regents' Approved Actions

Task Force Recommendation	Regents' Actions	Completed	In Progress	Pending	Comments / Status
<p>Competitive Compensation and Position to Market</p> <p>4. The Regents' Compensation Committee should identify and address as quickly as possible the key compensation challenges facing the University today, including the difficulties of competing for employees with better-funded institutions and the sometimes competing demands of market, merit, and equity.</p>	<p>Implement the compensation philosophy adopted under RE61 (RE74v.1).</p> <p>Provide annual reports on progress (RE74v.2).</p> <p>Provide annual report to the Legislature on progress to close salary gap (RE74v.3).</p> <p>Conduct compensation benchmark studies (RE74v.4).</p> <p>Identify additional funding sources for reaching market parity (RE74v.5).</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>✓</p>	<p>The President and the Regents have consistently recognized the importance of ensuring that the University be in a position to provide competitive compensation to faculty and staff as to ensure that it can attract and retain the best talent possible. Historically the cash compensation for existing faculty and staff has lagged the market in varying degrees, in one case by as much as 37% for Chancellors. Although the University's benefits have tended to soften the impact of this disparity, the impending restart of employee contributions into UCRP scheduled for April 2010 and the trend of shifting increasing costs of some benefits to employees has resulted in a reduction in the value of these benefits.</p> <p>In FY 2007-08, the Regents adopted a four year faculty salary plan designed to address market disparity. The first year of the program was funded; however no further funding was provided for year two or three (FY 2008-09/FY 2009-10) due to State budget reductions sustained by the University. In FY 2008-09 and FY 2009-10, faculty merits increases did continue to be funded even though staff merits were cancelled. The magnitude of the State funding reductions to the University for FY 2008-09 and FY 2009-10 totaling over \$800 million (a 20% reduction over FY 2007-08 levels) caused the Regents, upon request of the President, to declare a fiscal emergency and impose furloughs/salary reductions on faculty and staff for the period of September 1, 2009 through August 31, 2010.</p> <p>Clearly these actions caused by the dramatic State funding reductions confronting the University will challenge the University's ability to remain competitive in retaining and recruiting faculty and staff. The next few years will test the University's ability to address fiscal challenges in new and creative ways, to free up resources to reshape the University's future and ensure that appropriate market-based total remuneration is a component of a sustainable solution to maintaining the University's reputation as a top ranked public research and educational institution.</p>

Compliance and Internal Audit
Addendum to:
Follow-up Report to the
Task Force on UC Compensation, Accountability,
and Transparency

August 13, 2009

I. Report on Progress – Compliance and Internal Audit Perspective

1. Disclosure and Transparency

The following describes compliance and internal audit's role in independently reviewing management actions to implement the Task Force recommendations.

- Beginning 2007, audits have been performed at every location each year validating the completeness and accuracy of the Annual Report on Executive Compensation (including housing expenses and T & E for the President and Chancellors). These audits also validate compliance with various new policies developed, e.g. definition of total compensation, use of disclosure template, reporting of exceptions to policy, inclusion of all whose compensation dictates reporting.
- In October 2007, the SVP/Chief Compliance and Audit Officer Role and Office of Systemwide Ethics Compliance and Audit Services was implemented. This office has been working in conjunction with the Office of the President to audit and/or validate management action in complying with the task force recommendations.
- October, 2007, participation on the management Policy Review Project began where compliance and internal audit provided feedback on draft policies and related processes on an ongoing basis.
- Compliance and Internal Audit have participated in an advisory capacity on various workgroups, especially in the areas of data integrity and compliance.
- Compliance and Internal Audit have work closely with the Director of Public Information and Records to assure requests are responded to timely.
- In 2007, Internal Audit reviewed the public website with details on compensation information in conjunction with the 2007 Review of the Status of Implementation of the Executive Compensation Recommendations.

2. Governance and Accountability

- Ongoing compliance monitoring and annual audits has been occurring since 2007 related to appropriate Regental and Senior Management approvals per compensation policies and procedures. Specific areas of focus are the management actions below:
 - The Regents exercise approval authority over approximately 350 staff members including
 - all Senior Management Group (SMG) members systemwide,
 - any non-SMG direct reports to the President, and
 - any non-SMG direct reports to the Chancellors whose total compensation is greater than \$275,000 and whose actions would be exceptions to policy.
 - Currently, any actions taken by the President, Chancellors or Lab Director for staff whose total annual compensation exceeds \$214,000 are reported to the Regents at each meeting:
 - Bi-Monthly Transaction Monitoring report;
 - Report on Actions Taken Under Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide (Attachment H).
- Compliance and Internal Audit review all exceptions to policy and if needed, request additional information.
- In 2006, a task force was established to develop and implement the ethics training program, mandated for all employees. The training was implemented in 2007 and then is now being integrated into ongoing compliance and conflict of interest training sessions, as well as other training modules. Over the last two years approximately 85% of all employees systemwide completed their annual training. It is expected that compliance will increase as the training is expanded.
- In 2007, internal audit at each UC location incorporates any of the newly implemented policies into their Annual Report on Executive Compensation audits. Additionally, compliance reviews drafts of any new policy prior to final approval.

3. Specific Policies and Practices

- Ongoing monitoring has occurred related to policy development.
- In 2009/2010, systemwide audits of all the newly adopted compensation policies will be audited at each UC location.
- Additionally, compliance reviews drafts of any new policy prior to final approval.

