

Office of the President

TO MEMBERS OF THE COMMITTEE ON COMPENSATION:

ACTION ITEM

For Meeting of November 20, 2014

APPROVAL OF ESTABLISHMENT OF THE NEW SENIOR MANAGEMENT GROUP POSITION OF SENIOR ADVISOR TO THE PRESIDENT FOR INNOVATION AND ENTREPRENEURSHIP, AND THE MARKET REFERENCE ZONE FOR THE POSITION; APPOINTMENT OF AND COMPENSATION FOR REGIS B. KELLY AS SENIOR ADVISOR TO THE PRESIDENT FOR INNOVATION AND ENTREPRENEURSHIP, OFFICE OF THE PRESIDENT AS DISCUSSED IN CLOSED SESSION

BACKGROUND

Innovation and entrepreneurship through research is of ever-increasing importance to the University of California system. The creation of this position is an important component in increasing revenue for UC innovations and incubator activity. This new position will report directly to the President, and no State funds or tuition will be used for the compensation of this position.

This proposed appointment directly follows the recommendations of the Regents' 2012 Working Group on Technology Transfer, chaired by Regent Makarechian and co-led by Regents Varner and De La Peña. The Working Group concluded that given the size of UC's research enterprise, there is significant potential for increased revenue through technology transfer. The first of several recommendations of the group was that in order to increase revenue generated through technology transfer, UC must invest more resources. That is precisely what is being done through the creation of the new position. Currently, there is no single individual or office at UC focused on enhancing innovation and entrepreneurship, which has significantly inhibited the University's efforts in these areas.

Hiring the Senior Advisor for Innovation and Entrepreneurship to lead UC's efforts is the critical first step towards (1) making certain that UC is devoting the appropriate time, attention, and level of resources in these areas, and (2) ensuring that the resources the University invests going forward have maximum impact with respect to increasing both revenue generation and the spread of UC's ground-breaking research into the market.

The Senior Advisor to the President for Innovation and Entrepreneurship will serve as the lead for the UC system in the development of the University's innovation, technology

commercialization, and entrepreneurship strategies. In this role, Mr. Kelly will collaborate closely with chancellors, Laboratory directors, medical center leadership, and other senior leaders on the implementation of these strategies at locations across the system. As leader of this systemwide effort, Mr. Kelly will promote academic research as a means to foster new technologies, improve public health and well-being, and drive economic growth, in order to develop additional revenue for the University and improve and expand the translation of UC's ground-breaking research into the market for the public benefit. The development of these alternative revenue sources has become increasingly important given the current financial realities facing the University. To accomplish these goals, he will bridge academia and commercial industries with entrepreneurial ventures.

Regis B. Kelly is uniquely qualified due to his extensive experience within the UC system and working with leading research firms in these types of value-creating activities.

The President of the University recommends approval to establish the position of Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President, as a new Level One position in the Senior Management Group (SMG). The proposed Market Reference Zone (MRZ) for this position is as follows: 25th percentile – \$347,000, 50th percentile – \$361,000, 60th percentile – \$375,000, 75th percentile – \$405,000, 90th percentile – \$492,000.

The President of the University also recommends approval of the appointment of and compensation for Mr. Kelly as Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President, at 75 percent time, effective upon approval. Mr. Kelly will continue to be Director of the California Institute for Quantitative Biosciences (QB3) at the San Francisco campus at 25 percent time. In addition, Mr. Kelly will continue to hold a zero percent appointment as Professor Emeritus. Mr. Kelly, currently a faculty retiree rehired at a 43 percent appointment, serves as Director of QB3, one of four Governor Gray Davis Institutes for Science and Innovation.

Based on the scope and complexity of duties and the exceptional qualifications of Mr. Kelly, the President is proposing a base salary of \$349,000, reflecting an appointment of 75 percent time (the annualized salary equates to \$465,000) for the Senior Advisor to the President for Innovation and Entrepreneurship role. Consistent with Regents' policy 7706, Reemployment of UC Retired Employees Into Senior Management Group and Staff Positions, section IV.C.1, the "...appointment rate in the rehire position will be used to determine appropriate placement in the Market Reference Zone..." The appointment salary of \$349,000 is seven percent below the 60th percentile and 13 percent below the 75th percentile of the proposed MRZ. Mr. Kelly will also continue his current role at UCSF in a reduced capacity, receiving a salary of \$54,000 for the 25 percent time appointment as the Director – QB3, San Francisco campus. His total combined annual base salary between the two sources will be \$403,000.

Funding for this position will come from non-State funds. The Office of the President will fund the SMG appointment salary of \$349,000; the remaining balance of \$54,000 will be funded by UCSF in support of Mr. Kelly's continuing duties associated with the campus and QB3.

Mr. Kelly will identify early-stage opportunities that align with the President's initiative on Innovation and Entrepreneurship. The initiative is expected to generate significant revenue for the University each year, in which the majority of the funds will be used to support research and education across the entire UC system.

RECOMMENDATION

The Committee recommends approval of the following items in connection with the establishment of the new Senior Management Group position of Senior Advisor to the President for Innovation and Entrepreneurship, and the Market Reference Zone for the position, and the appointment of and compensation for Regis B. Kelly as Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President:

- A. Establishment of the new Senior Management Group position of Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President. This will be a Level One position in the Senior Management Group.
- B. Establishment of a Market Reference Zone (MRZ) for the Senior Advisor to the President for Innovation and Entrepreneurship, as follows: 25th percentile – \$347,000, 50th percentile – \$361,000, 60th percentile – \$375,000, 75th percentile – \$405,000, 90th percentile – \$492,000.
- C. Appointment of Regis B. Kelly as Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President, at 75 percent time. Mr. Kelly will also continue to serve as the Director – QB3, San Francisco campus, at 25 percent time. Mr. Kelly will suspend his UC Retirement Plan (UCRP) benefits in order to resume full-time University employment.
- D. Per policy, a base salary of \$349,000 (\$465,000, annualized) at the 75 percent appointment rate as the Senior Advisor to the President for Innovation and Entrepreneurship, Office of the President. Mr. Kelly will also receive a base salary of \$54,000 (\$216,300, annualized) at the 25 percent appointment rate as the Director – QB3, San Francisco campus, for a combined total annual base salary of \$403,000.
- E. Per policy, a monthly contribution to the Senior Management Supplemental Benefit program applied only to the portion of salary associated with Mr. Kelly's role as the Senior Advisor to the President.
- F. Per policy, eligible to participate in the UC Home Loan Program, subject to all program requirements.
- G. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability). Eligibility to accrue UCRP credits as an active participant, consistent with policy.

H. This action will be effective upon approval.

COMPARATIVE ANALYSIS

Recommended Compensation

Effective Date: upon approval

Annual Base Salary for this position: \$349,000 (an annualized salary of \$465,000 prorated at 75 percent)

Target Cash Compensation for this position:* \$349,000

Funding: non-State-funded

Budget and/or Prior Incumbent Data

Not applicable – This is a new position.

* Target Cash Compensation consists of base salary and, if applicable, incentive and/or stipend.

COMPETITIVE ANALYSIS FOR SENIOR ADVISOR TO THE PRESIDENT FOR INNOVATION AND ENTREPRENEURSHIP

Percentiles	MARKET REFERENCE ZONE FOR BASE SALARY					MARKET COMPOSITE FOR TARGET CASH COMPENSATION				
	25th	50th	60th	75th	90th	25th	50th	60th	75th	90th
Market Data	\$347K	\$361K	\$375K	\$405K	\$492K	\$418K	\$432K	\$515K	\$639K	\$763K
% Difference from Market	1.0%	-3.0%	-7.0%	-13.0%	-29.0%	-16.0%	-19.0%	-32.0%	-45.0%	-54.0%

Survey Source: College and University Professional Association (CUPA) – Administrators in Higher Education Salary Survey and Sullivan Cotter Manager and Executive Compensation Survey.

The compensation described above shall constitute the University’s total commitment until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: President Napolitano
Reviewed by: Committee on Compensation Chair Kieffer
Office of the President, Human Resources