

Office of the President

TO THE MEMBERS OF THE COMMITTEE ON COMPENSATION:

INFORMATION ITEM

For Meeting of March 15, 2007

LEGISLATIVE REPORT ON EXECUTIVE COMPENSATION INCLUDING REGENTS' ANNUAL REPORT ON COMPENSATION FOR CALENDAR YEAR 2006: INCUMBENTS IN CERTAIN SENIOR MANAGEMENT POSITIONS

Attached is information that will be contained in the University's report on executive compensation to the Legislature in response to the 2006-07 Budget Act requirement. The following language represents what UC is required to report to the Legislature:

"UC fundamentally reform its compensation policies and practices to more appropriately reflect its status as a public institution accountable to the State of California. It is the intent of the Legislature that UC submit an annual report by March 1 of each year through 2010-11 to the Joint Legislative Budget Committee, legislative fiscal subcommittees, and the Department of Finance on the University's progress in reforming its compensation policies and practices consistent with the recommendations of the April 2006 Report of the Task Force on UC Compensation, Accountability, and Transparency (Task Force), the PricewaterhouseCoopers report, and the Bureau of State Audits May 2, 2006 report.

"Specifically, the University's report should include the following:

"(1) consistent with the Task Force's recommendation on reporting, annual reports provided to the Board of Regents on total compensation for specified University senior officials (including the President, Provost, senior vice presidents, vice presidents/provosts, associate/assistant vice presidents, the University auditor, the University controller, principal officers of The Regents, chancellors, vice chancellors, national laboratory directors/deputy directors, medical center CEOs, professional school deans, and the top five most highly compensated positions at the Office of the President and each campus, medical center, and Department of Energy Laboratory). Total compensation information on employees not covered by this language is to be made available to the Legislature upon request.

"In its annual report of total compensation for senior officials, the University should use a standard reporting template, such as the template recommended in the April 2006 Report of the Task Force, that lists all elements of total compensation including base salary, benefits and perquisites, and all other forms of UC-provided compensation that accrue to the individual.

"(2) plans and actions taken by UC to reform compensation policies and practices to ensure that, (a) clear and appropriate policies are in place to define compensation, (b) university compensation remains competitive, (c) it is clear with whom the authority lies for making compensation decisions, (d) policies include specific guidance about when exceptions are appropriate, who may grant them, and through which mechanisms, so that exceptions do not become the rule, (e) conflicts among existing policies are eliminated, (f) mechanisms are in place

to ensure compliance with newly reformed policies and to reliably impose consequences when policies are violated;

“(3) plans and actions taken by UC to update its human resources information system to ensure that campuses and the Office of the President are entering and capturing data in an accurate and systematically compatible manner that permits disclosure of compensation information in a full and timely way.”

Attachment 1, *Annual Report on Compensation, Calendar Year 2006*, addresses the reporting requirements outlined in (1), above. The content and layout of this report, compliant with legislative reporting requirements, was approved by The Regents at the January 2007 meeting.

The report presents the following information for calendar year 2006:

Population covered: The report presented in March includes all incumbents in the “senior official” listing of positions noted above. The report that will be presented in the May Regents’ meeting will add to this and include the population that currently requires Regental review and approval, e.g., those administrators whose cash compensation exceeds \$200,000 per annum.

The attached report displays compensation details on 275 incumbents and former incumbents in these positions, including those in an acting capacity and those who stepped down or terminated employment. If an individual held more than one role during 2006, the last position held is reported.

Cash compensation: The report presents the following details on each person: annualized base salary, annualized stipends, actual payments received under incentive or bonus programs, total actual Health Sciences Compensation Plan (HSCP) payments, and other cash compensation or cash payments. A subtotal of these elements is also provided. Please note that this information is a combination of data that represents actual payments and annualized figures. The annualized figures for base salary and stipends were chosen over actual pay to avoid problems with partial year assignments. For example, actual pay for a new employee who starts employment with the University in November with an annualized base salary of \$240,000 would be only \$40,000. In many cases, stipends (which are represented in the report as annualized figures) may only be paid for a portion of the year and therefore do not reflect what the recipient actually received. In some cases, individuals received the stipend for less than the full year, but the annualized figure is still represented.

Health Sciences Compensation Plan payments are provided and displayed in a separate column for those participants who produce clinical revenue. The amounts displayed in this column reflect actual payments to the individuals and include income processed through the HSCP (per policy) from qualified outside activities, such as speaking engagements. Since an individual’s outside activities fluctuate from year to year, the HSCP payments may fluctuate accordingly.

One-time payments/reimbursements are made to the employee or on behalf of the employee to a third party vendor, including relocation allowances, temporary housing

reimbursements or allowances, and moving expense reimbursements. Some of the information displayed in this section is described in more detail in the addendum.

Benefits and perquisites include leased auto or auto allowance, senior management benefits (including some or all of the following: life insurance, executive business travel insurance, executive salary continuation for disability), University-provided housing, severance benefits, senior management supplemental benefit program contributions, additional post-retirement benefits (including medical coverage, enhanced retirement income benefits, enhanced retirement vesting schedules, etc.), and home mortgage loans provided under the University programs (the original loan amount is presented). Auto allowances are represented as annualized figures. In some cases, individuals received the allowance for less than the full year, but the annualized figure is still represented. Where post-retirement or severance benefits are noted, further detail is provided in the addendum.

Data Collection, Review, Audit and Certification Process

The Annual Report on Compensation was produced from data collected manually by each campus and laboratory using a variety of sources such as payroll, account payables, personnel records and others to populate a data warehouse, the Senior Leadership Information System (SLIS). Multiple data quality reviews were conducted by the Office of the President (OP) and local entities. The first certification occurred at the individual level when each person received a report from SLIS displaying his or her data and was asked to certify that the information was accurate and complete. Each person also certified that there were no other forms of compensation paid to them, nor did they have any other compensation due that had yet to be paid. In addition, campus and OP auditors reviewed the population and data, checking against source records to validate the accuracy and completeness of the data entry and the reportable population. Each Chancellor and Executive Vice President reviewed their group data certifying that the population contained in the report was accurate and complete.

Attachment 2, Annual Report to the Joint Legislative Budget Committee, Legislative Fiscal Subcommittees and the Department of Finance for University of California is the full report that will be provided to the Legislature and addresses items (2) and (3) in the budget language, above. This report will address the progress and reforms grouped into six categories, specifically:

- Disclosure and Transparency;
- Annual Reporting of Total Compensation for named positions
- Accountability and Governance;
- Compensation Policy Reforms
- Policy Compliance, Enforcement, Monitoring and Oversight; and
- Human Resources Information System

These reports along with the Annual Report on Compensation will be presented to the Legislature later this month.