TASK FORCE ON

UC Compensation, Accountability, and Transparency

REPORT
April 2006
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Preamble

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.

Trust and confidence in the administrative leadership of the University have declined precipitously over the last six months as unsettling and troubling information became known about a number of compensation-related activities and practices.

More specifically, the decline was the result of disclosures by the state's press and University officials that included cases of:

- Failure to release public compensation information in a clear and timely fashion.
- Inappropriate compensation, benefits, and perquisites for some executives in the University system.
- Inadequate attention to University compensation policies by leaders of the system and its campuses.
- Failure to consistently manage the institution's practices involving compensation in accord with fundamental, common sense business and management practices.
- Failure to report certain compensation-related information to the Regents as required and failure to comply with policies established by the Regents.

Such inappropriate and improper incidents as these—and the breakdown of effective, responsible administration of compensation-related policies that allowed them to occur—are all the more troubling when the University's history in this area is taken into account. In the early 1990s, in the wake of public controversy regarding executive compensation at the University, new policies were put in place by the Regents to prevent future problems in this area. At least some of the current problems would not have occurred if those policy reforms had been followed and enforced by the senior administrative leadership of the University system.

* * *

While the nature and scope of compensation-related problems in the University system will not be known conclusively until several current inquiries are completed, it is already clear that the current situation is wholly unacceptable. Necessary steps must be initiated immediately at all levels to remedy the problems. Outdated policies and practices must be replaced. Necessary and appropriate checks and balances must be put in place and rigorously adhered to.

University executives and the Regents share overall responsibility for University policies and adherence thereto. They share responsibility for wise stewardship of University resources and vigorous, vigilant oversight of their use.
It is vitally important to the future of the University, and equally important to the future of the state and its people, that the University invest and spend what is required to maintain its position as one of the best university systems in the world. University compensation policies—and the total compensation packages it offers—must allow it to recruit and retain the faculty, administrators, and staff required to sustain its current standard of excellence.

The clear and unambiguous policy of the University must be to operate in a transparent manner and to make as much information as possible available to the public. Any information that is defined as public by statute or policy should be easily accessible, available in a reasonably short period following a request, and easily understandable to the average citizen. This is an essential component of restoring public confidence in the proper administration of the University system.

Going forward, the senior executives of the University must ensure that neither the appearance nor the reality develop yet again that the resources with which they are entrusted are used in ways that fall short of the public’s reasonable expectations or the highest ethical and professional standards.

* * *

Although the charge of the Task Force was to make recommendations regarding the University’s policies and practices on compensation and on the release of public information regarding compensation and related matters, the Task Force feels obliged to assert that its recommendations will only be effective if the circumstances leading to the problems it reviewed are adequately and appropriately addressed.

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. To be effective—and accepted by the public whose trust and support are essential—accountability must include consequences, and the consequences must be consequential.

“[Full] accountability must include consequences, and the consequences must be consequential.”
Disclosure and Transparency

1. The Task Force finds that the University of California has failed to honor, consistently and comprehensively, its obligation of public accountability. (p. 10)

   **RECOMMENDATION (p. 10)**

   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. The Task Force finds that, over the years, UC and its leaders have failed repeatedly to inform the Regents about the total compensation of senior managers as required by the Regents’ 1992 Principles for Review of Executive Compensation. This failure has hindered the ability of the Regents to perform their responsibilities of governance and oversight in this key area and made it impossible to disclose such information to the public and the Legislature. (p. 11)

   **RECOMMENDATION (p. 11)**

   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 Task Force finds that UC’s information systems are inadequate and unable to provide full and timely compensation information. (p. 12)

   **RECOMMENDATION (p. 12)**

   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.
The recent disclosures and the underlying details of those and other cases reviewed by the Task Force on UC Compensation, Accountability, and Transparency lead it to conclude that, at least as regards compensation, neither the executives who lead the University nor the Regents who oversee it have done all they could or should to fulfill their respective or shared responsibilities. Moreover, the current compensation policies and practices of the University are insufficient to achieve the high standards of accountability required by the people of California.

The Task Force—one of five official inquiries into compensation-related problems in the University system—was appointed in December 2005 by Gerald L. Parsky, chairman of the Regents of the University of California. Its charge was to conduct an independent review of the University’s policies 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 Task Force met 10 times by telephone and in person. It reviewed information, reports, and studies on the policies and practices of the University regarding compensation and the release of public information. It reviewed information on compensation at peer universities. Various University officials were interviewed. At the eighth meeting of the Task Force, its members heard from and questioned the senior executive of the University of California, President Robert C. Dynes. The Task Force was assisted in all its efforts by staff from Deloitte Consulting LLP. Helpful information and background was provided on request by the Office of the President of the University.

The current situation is wholly unacceptable. Necessary steps must be initiated immediately,... and appropriate checks and balances... put in place and rigorously adhered to.”

Before proceeding to present its findings and recommendations, the Task Force underscores emphatically the fact that no question has been raised about the academic leadership of the University of California system. Esteem for the University’s students and faculty—and their endeavors—is undiminished. Californians have a justifiably high view of the University as the capstone of public education in the state, as a global leader in education and scholarship, and as the site of cutting-edge research.

The University of California is one of the largest enterprises in the state. It is a vast, complex, and decentralized organization. More than 200,000 students and 120,000 faculty and staff are spread across 10 campuses, five medical centers, and three national laboratories. Its medical centers serve hundreds of thousands of patients and conduct more than three million outpatient visits annually.

If this public institution, so essential to California’s present and future, is to stay strong, it must be carefully managed and operated effectively and efficiently. In this regard, the University of California system should operate in much the same way any other large enterprise must in today’s intensely competitive and demanding environment.

But as the University pursues excellence in its future endeavors, it must not compromise its values or its fundamental missions, which are teaching, public service, and research. As necessary reforms are instituted, great care must be taken to ensure nothing is done that might undermine the quality, the confidence, or the high aspirations of the institution.
4. The Task Force finds that UC lacks a system to ensure reporting of total compensation for executives in accordance with policy. (p. 13)

**RECOMMENDATION** (p. 14)

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 Task Force finds that current UC compensation policies are not well organized, not well understood, and difficult to access, either for internal or external use. (p. 14)

**RECOMMENDATION** (p. 14)

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 Task Force finds that the lack of consensus about what constitutes total compensation at the University of California exacerbates confusion about disclosure policies. (p. 15)

**RECOMMENDATION** (p. 15)

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 Task Force finds that no one in the UC Office of the President is responsible for responding, on a systemwide basis, to public requests for information. (p. 15)

**RECOMMENDATION** (p. 15)

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 Task Force finds that UC’s compliance with compensation policy is wholly inadequate and, in a number of cases, has failed or been circumvented. (p 16)

RECOMMENDATION (p 17)

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 Task Force finds that the point of responsibility for compensation decision-making is inadequate, confusing, and poorly documented. The result is inadequate oversight. (p 17)

RECOMMENDATION (p 17)

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. The Task Force finds that UC grants so many exceptions to policy as to render the policies ineffective. Furthermore, these “exceptions” have become a convenient way to circumvent policies. (p 18)

RECOMMENDATION (p 18)

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. The Task Force finds few, if any, consequences for violating policy. (p. 18)

RECOMMENDATION (p. 18)

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. The Task Force finds that UC’s executive compensation problems are exacerbated by confusing, duplicative, overlapping, and sometimes conflicting compensation policies. (p. 19)

RECOMMENDATION (p. 19)

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 finds that the Regents’ ability to provide oversight of compensation decisions has been weakened by the large number of compensation decisions they were expected to review. (p. 19)

RECOMMENDATION (p. 19)

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. The Task Force finds that the University has an established whistleblower policy and should continue its education efforts regarding whistleblowers and ethical conduct. (p. 20)

RECOMMENDATION (p. 20)

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 Task Force finds that UC lacks clear guidelines on participation in externally compensated activities such as consulting or board service, which makes it impossible to ensure that outside activities do not interfere with the performance of UC duties. (p. 21)

RECOMMENDATION (p. 21)

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. The Task Force finds that existing UC policies governing senior managers’ outside professional activities vary from those for faculty. This creates confusion for senior managers who also hold faculty appointments. (p. 22)

RECOMMENDATION (p. 22)

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 Task Force finds that 1) UC executives have not followed University policies in granting paid leaves to departing chancellors and others; and 2) the Regents have not been properly informed at the time of appointment about the terms related to these leaves. (p. 22)

RECOMMENDATION (p. 23)

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.
1. The Task Force finds that UC’s compensation must be competitive if UC is to maintain its status as one of the great universities of the world. (p. 24)

2. The Task Force finds that UC has entered a period of intense competition and that it is currently at a competitive disadvantage relative to most of its peers in the top tier of universities. (p. 25)

RECOMMENDATION (p. 25)

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.

3. The Task Force finds that the composition of UC’s compensation program needs to be examined to assess its overall competitiveness. (p. 26)

RECOMMENDATION (p. 26)

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.

4. The Task Force finds that regular benchmarking is the best way to ensure that compensation is competitive. (p. 26)

RECOMMENDATION (p. 27)

The Regents should regularly benchmark the University’s compensation against peer institutions to ensure that UC compensation remains competitive.

5. The Task Force finds that the Regents’ Compensation Committee is the lynchpin to ensure proper compensation accountability, oversight, and competitiveness. (p. 27)

RECOMMENDATION (p. 27)

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.
Findings and Recommendations

Disclosure and Transparency

Full, proactive, and timely disclosure of information is central to the University of California’s (UC) 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 of California has failed to honor, consistently and comprehensively, its obligation of public accountability.”

1. The Task Force finds that the University of California has failed to honor, consistently and comprehensively, its obligation of public accountability.

For the University to fulfill its responsibilities as a public trust, there must be an institutional commitment to public disclosure. This commitment must be codified in disclosure policies that are clearly and broadly communicated, both internally and externally. Such policies must be implemented with vigor and monitored with care. In doing so, UC has the opportunity to emerge as a national leader.

The Task Force recognizes that the disclosure of compensation information may undercut UC’s competitive position in recruiting and retaining top faculty, administrators, and staff. There is also a potential conflict between the public’s right to full information and employees’ privacy rights. The Regents should address this challenge with policies that balance public access, personal privacy, and organizational competitiveness.

In developing its disclosure policies, the University must clearly define what information will be released to the public and what will remain private or protected to guard the personal privacy rights of its employees, retirees, and vendors/contractors. At present, there is widespread confusion and debate throughout the UC Office of the President as well as campuses, schools, and departments about the appropriate level of disclosure. UC will need to revise employment applications and vendor contracts, where applicable, to obtain informed consent about the release of such information.

RECOMMENDATION

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. The Task Force finds that, over the years, UC and its leaders have failed repeatedly to inform the Regents about the total compensation of senior managers as required by the Regents’ 1992 Principles for Review of Executive Compensation. This failure has hindered the ability of the Regents to perform their responsibilities of governance and oversight in this key area and made it impossible to disclose such information to the public and the Legislature.

In 1992, following an earlier controversy over executive compensation, the Regents adopted clear and comprehensive policies with respect to full disclosure of executive compensation—both to the Regents and to the public. However, on numerous occasions, the Regents have been provided information that is incomplete and inadequate for decision-making purposes. Such inadequate disclosure practices create the appearance that UC exalts secrecy over openness and the public’s right to information. The Regents must have complete information about compensation to perform their responsibilities of governance and oversight. By extension, full disclosure to the public of compensation approved by the Regents is essential to public accountability.

RECOMMENDATION

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.

“Full, proactive, and timely disclosure of information is central to the University of California’s obligation to the people of California.”
3. The Task Force finds that UC’s information systems are inadequate and unable to provide full and timely compensation information.

UC can establish the best disclosure policies and practices but still fail to achieve them without a modern, integrated human-resources information system that enables comprehensive analysis, monitoring, and reporting of compensation information. UC’s antiquated and decentralized human-resources information systems are inadequate to the task.

The problem cannot be overstated. The UC Office of the President and each of the 10 campuses, five medical centers, and three national laboratories all maintain their own systems that do not “talk” to each other. This makes it difficult, time-consuming, and expensive—if not impossible—to provide clear, consistent, and accurate systemwide data. Poor systems also hinder the University’s ability to monitor policy compliance.

For example, the University’s payroll systems contain no universal coding for different types of compensation. Stipends may be coded as “stipends” on one campus and as “by-agreement payments” on another. Therefore, a search for “stipends” alone will yield incomplete data. Similarly, the category known as “by-agreement payments” includes stipends, incentive pay, clinical enterprise bonuses, and others. Verification of the purpose for these payments, as well as their compliance with policy, requires a manual search of campus paper files. In addition, inappropriate coding of compensation items could lead to improper inclusion for retirement and other benefit calculation purposes.

More fundamentally, some relevant information, such as employee salary history, initial appointment date, non-salary compensation, and exceptions to policy are not currently captured systematically. This hinders the ability to audit compliance and prevents quick responses to the media, legislators, and the public. It can take weeks or months to respond to even the most basic public information requests. Two examples help to demonstrate this:

- Eligibility for the senior management deferred compensation (formerly “severance”) program is based in part on an employee’s appointment date, which is not maintained in the payroll record. So staff wishing to audit this program for appropriateness of payment must manually match payment information in one file with appointment data contained in a separate file.

- When the media asks whether a particular element of an employee’s hiring package represents an exception to policy, UC Office of the President staff must first determine which policies apply and then gather information manually from paper files in multiple locations. They then must determine whether an exception to policy was made, and if so, whether it was properly justified. Finally, they must decide whether the exception was approved and disclosed properly. This lengthy process seriously undermines UC’s public accountability.

RECOMMENDATION

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 Task Force finds that UC lacks a system to ensure reporting of total compensation for executives in accordance with policy.

This extends to policies requiring disclosure to the Regents when they are asked to approve initial senior-level appointments, to the media and the public once Regents’ compensation actions are taken, and in annual reports to the Regents and the Legislature.

**Annual reports.** An example of the lack of checks and balances is the administration’s failure to submit required annual reports on executive compensation and compensated corporate board service for two years in a row. The reason given was that the staff person responsible for keeping track of reporting deadlines had retired. This is inexcusable. The University must fulfill its obligation to inform the Regents annually. In the future, such annual reports should be certified by the senior-most official responsible for the report’s content, and then posted online following receipt by the Regents. Furthermore, the annual report to the Regents on executive compensation should be revised to include all elements of total compensation, as required by the 1992 Regents’ Principles for Review of Executive Compensation.

**Annual online reporting of all base salaries.** The Task Force believes the University should annually release base salaries for all UC employees, not just senior managers. In considering this matter, the Task Force weighed two issues: 1) whether to limit reports just to senior managers, and not to all employees; and 2) whether to extend reporting from base salary to total cash compensation.

In the end, the Task Force believes that on the first issue, the public interest in disclosure extends to faculty, staff, athletic coaches, and others. Many public universities (the University of Michigan, University of Washington, University of Illinois, to name a few) proactively release a comprehensive listing of base salaries for all employees.

On the second issue, the Task Force is concerned that reporting more than base salary for all employees will put the University at a further competitive disadvantage in retaining top faculty. There have been reports that the recent media disclosure of UC total cash compensation has allowed competitors to make better and more informed offers to faculty. These same factors do not apply to senior administrators. Therefore, the Task Force believes that the University should report online total compensation for the 264 individuals whose compensation has been recommended for approval by the Regents (see Governance and Accountability Recommendation #6, p. 22).

**“Annual Reports Checklist.”** The Secretary to the Regents should establish an “Annual Reports Checklist” to ensure compliance with reporting requirements to the Regents and the Legislature.

**Regular review of policies.** The Regents’ Compensation Committee should direct a periodic review of policies and practices in the area of compensation to ensure that they are simple, clear, comprehensible, and functional.

**Uniform forms of disclosure.** The Task Force spent a considerable amount of time on the issue of reporting and developed a sample compensation disclosure form to serve as a prototype for providing information for executive appointments and promotions (see Appendix, pp. 38-39). Such a form should be presented to the Regents along with other background material when they are asked to approve the hiring or promotion of an executive. A form like this should be used throughout the UC system, so that others who review and approve such appointments and promotions also receive the same information.
Immediately following the Regents’ approval, the form could also be attached to the UC press release and posted on the Web, so that all elements of compensation are displayed in a clear, straightforward manner for the public and the media. Current practice in this area is inconsistent across the UC system. The UC Office of the President regularly reports base salary in its press releases on new appointments, whereas many campuses do not report even base salary. Consistency in disclosure across the UC system is paramount.

**Regular and interim Board of Regents actions.** The University also needs to refine its protocols to ensure timely Web-posting of compensation actions taken by the Regents at their regular board meetings.

With respect to actions taken between regular board meetings that can be approved by the President, the Chair of the Board of Regents, and the Chair of the Compensation Committee, the procedure is designed to provide flexibility in responding to urgent needs, including those involving recruitment and retention of key faculty and managers. These “interim board actions” are then reported to the full board at the next regularly scheduled meeting.

However, the lack of clear protocols has caused some high-profile items to “fall between the cracks”—leading to an impression that items are being hidden from the public and the full board. The University needs to establish clear principles and procedures for determining what criteria need to be met (e.g., urgent retention cases that cannot wait for two months before the next board meeting) in order for a compensation package to be approved between regular board meetings.

**RECOMMENDATION**

The University should establish clear protocols, procedures, and forms that allow for full and timely compensation reporting. These reports should include:

- 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 Task Force finds that current UC compensation policies are not well organized, not well understood, and difficult to access, either for internal or external use.

Confusion over policy has contributed to an impression that rules and regulations are being deliberately manipulated. The University must provide clear, simple, and easily accessible explanations of UC’s compensation policies and practices.

A step in the right direction would be the creation of a proactive, regularly maintained Web site that is designed to provide easy-to-find information and explanations regarding UC compensation and benefits.

**RECOMMENDATION**

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 Task Force finds that the lack of consensus about what constitutes total compensation at the University of California exacerbates confusion about disclosure policies.

The Regents’ Principles for Review of Executive Compensation clearly define “total compensation” as “base salary, retirement and other benefits, perquisites, severance payments (except those made in connection with a dismissal or a litigation settlement), all forms of deferred compensation, supplemental retirement, all components of housing allowances or any other form of compensation applicable to the Officers of the University and the Principal Officers of the Regents...”  

The Task Force supports this definition and recommends that some specific elements of compensation receive further attention. For example, the Regents’ Compensation Committee needs to decide whether "any other form of compensation" should include such items as: 1) performance-based incentive payments; 2) the value of University-provided housing for the President and the chancellors; 3) reimbursed expenses that are treated as taxable income; 4) the cost to UC of providing health insurance, net of employee contributions; 5) royalty payments from patents; or 6) the value of University-provided housing loans. In examining these and other elements, the Compensation Committee should consider leading standards and practices, such as those established by the federal Securities and Exchange Commission (SEC) for private corporations.

Policy statements should include glossaries of compensation terms that allow the Regents, employees, and the public to understand the meaning of terms such as “stipend,” “relocation allowance,” or “moving expenses.”

RECOMMENDATION

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 Task Force finds that no one in the UC Office of the President is responsible for responding, on a systemwide basis, to public requests for information.

The UC Office of the President has not dedicated a position to dealing with Public Records Act (PRA) requests. This has led to confusion and delays, and has contributed to the impression that UC is not responsive to public requests for information.

Campuses each have PRA coordinators; so should the Office of the President. The position should ensure consistency and coordination among the campus PRA coordinators on systemwide issues, and be responsible not only for responding to information requests, but also for addressing proactively any emerging issues that may raise public concerns.

RECOMMENDATION

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

The Task Force heard from Regents, administrators, and faculty about the University of California’s unique management challenges.

These challenges result from UC’s size and complexity, including the breadth of its operations—from teaching and research on its 10 campuses, to providing health care and medical education at its five medical centers, to conducting research at its three national laboratories. Further complicating UC governance is that it is formally shared among the Board of Regents, the administration, and the faculty, with considerable authority for day-to-day operations delegated from the UC Regents to the President and to the campus chancellors, medical center directors, and national laboratory directors.

While the Task Force recognizes that innovation requires a certain amount of flexibility for senior managers at the Office of the President as well as at the campus level, the need for local flexibility cannot be allowed to excuse or mask a failure to comply with existing policies and rules. Moreover, the University draws much of its strength from the fact that it is a single organization. Consistency in the application, interpretation, and enforcement of policy is a fundamental requirement.

1. The Task Force finds that UC’s compliance with compensation policy is wholly inadequate and, in a number of cases, has failed or been circumvented.

The Office of the President has failed to comply with the Regents’ compensation policy and failed to enforce compliance by the campuses. This failure has undermined the University’s credibility and appropriately led to demands for greater accountability.

The Task Force believes that the recently created Regents’ Compensation Committee should have primary responsibility for setting compensation policies and providing necessary oversight to ensure compliance. The President should designate a senior official to serve as liaison to the Regents’ Compensation Committee, and establish a compensation oversight committee to support the senior official. Such a joint Regents-administrative oversight structure would improve the interpretation and enforcement of policy and accountability for compensation practices.

In addition, the Task Force believes the Regents have taken a good first step by announcing the creation of a new Compliance Officer position. The Task Force supports the idea of a position whose sole responsibility is to monitor policy compliance and whose independence is reinforced by a direct reporting line to the Board.

These oversight mechanisms should also help to address another problem: the failure to ensure that University policies and principles survive leadership changes in management and on the Board of Regents. Ignorance of policy cannot be used to excuse noncompliance with policy.
RECOMMENDATION

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 Task Force finds that the point of responsibility for compensation decision-making is inadequate, confusing, and poorly documented. The result is inadequate oversight.

The Task Force found, in many cases, that University policies are either silent or ambiguous about the respective responsibilities of the Regents, the President, and the chancellors with regard to compensation decisions; authorities that have been or should be delegated and to whom; and the controls in place to monitor and oversee this delegation and exercise of authority. In other cases, existing authority structures are unwieldy and ineffective.

This delegation is explained as decentralization that is necessary from an academic perspective: the essential work of the University, after all, is conducted not at the Office of the President, but at the campuses, the medical centers, and the national laboratories. Local decision-making is essential in an institution as vast as the University of California. While some degree of decentralization is appropriate, controls and guidelines must be in place to ensure that delegations are appropriate and fully documented and that all necessary approvals have been obtained.

RECOMMENDATION

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. The Task Force finds that UC grants so many exceptions to policy as to render the policies ineffective. Furthermore, these “exceptions” have become a convenient way to circumvent policies.

Most Regents’ policies do not specify a process for the granting of exceptions, yet the President and the chancellors regularly grant exceptions to policy. In some cases, exceptions have been documented, justified, and reported to the appropriate levels of authority. But in others, exceptions appear to have been made somewhat casually, without written justification or reporting to a higher level of authority. The Task Force understands that there are legitimate reasons to grant exceptions to compensation policies, particularly for recruitment or retention purposes. In these cases, the University should establish explicit exception mechanisms. On the other hand, some policies may be inviolate.

The University should make clear when “exceptions” may be granted and by whom. We observed numerous examples of apparent policy violations (for example, relocation allowances for individuals who appear to be ineligible for such allowances) that were explained away by UC administration not as violations but as “exceptions” to policy.

The Task Force is unimpressed by the distinctions. At minimum, a reasonable person might conclude that an “exception” to policy that is neither documented, justified, nor reported to and/or approved by higher levels of authority, constitutes a violation.

RECOMMENDATION

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. The Task Force finds few, if any, consequences for violating policy.

An even greater concern to the Task Force is that University policy fails to specify consequences for violations or to contain adequate enforcement mechanisms. At the least, the Task Force believes violations should have consequences, ranging from negative impacts on an employee’s performance review to outright dismissal.

RECOMMENDATION

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.

“There are legitimate reasons to grant exceptions...[but] an exception...that is neither documented, justified, [reported or approved] constitutes a violation.”
5. The Task Force finds that UC’s executive compensation problems are exacerbated by confusing, duplicative, overlapping, and sometimes conflicting compensation policies.

The Task Force identified weaknesses in UC’s compensation policies that limit the University’s ability to ensure compliance. Compensation policies are out of date. Many of them duplicate and/or conflict with one another. For example, various aspects of compensation are addressed—not always consistently—in Regents’ policy, in Presidential policy, and in faculty policies. The University should immediately revise its policies to eliminate conflicts among the various policies.

RECOMMENDATION

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 finds that the Regents’ ability to provide oversight of compensation decisions has been weakened by the large number of compensation decisions they were expected to review.

At present, the Regents approve compensation levels for more than 2,000 employees. The Regents should retain authority for approving compensation for the University’s most senior positions, but the number of these decisions cannot be so large as to preclude thoughtful and thorough consideration of each decision.

The Task Force believes that approval by the Regents of compensation for the top 32 positions—a Board action recently adopted on an interim basis—is too limited to allow for appropriate Board-level oversight and accountability. In weighing these factors, the Task Force believes that the Regents should 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 (who occupy highly visible positions and are often among the most highly compensated), and the top five most highly compensated positions at each UC location. This group comprises 264 individuals.

RECOMMENDATION

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 group comprises 264 individuals.
7. The Task Force finds that the University has an established whistleblower policy and should continue its education efforts regarding whistleblowers and ethical conduct. The University’s whistleblower and anti-retaliation policies are well-established and its processes provide multiple avenues (including an independently operated hotline) for reporting complaints and policy violations. It has recently created a new Statement of Ethical Values and Standards of Ethical Conduct and is currently developing a Web-based training program to disseminate the values and standards broadly. These programs are essential to the promotion of a culture of ethical behavior and an environment where employees feel free to report any concerns without fear of retribution.

However, few of the issues recently covered by the media surfaced from employees through University “hotlines” for reporting malfeasance.

RECOMMENDATION

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

Time and again, the Task Force heard about compensation practices that did not comport with University compensation policies. Further, we found an absence of checks and balances to monitor practices for policy compliance.

The pressure on department chairs, deans, provosts, chancellors, and the President is intensifying to recruit and retain outstanding faculty, administrators, and staff in an increasingly competitive environment at a time when the University’s financial resources are severely limited by constraints on state spending. In this environment, policies and guidelines must be carefully crafted, transparent, well-understood, and rigorously implemented.

The Task Force was unable to review all the University’s compensation policies. But a few areas deserve immediate attention.

1. The Task Force finds that UC lacks clear guidelines on participation in externally compensated activities such as consulting or board service, which makes it impossible to ensure that outside activities do not interfere with the performance of UC duties.

   It is common at UC and other universities for senior administrators and faculty to engage in a variety of outside professional activities, from serving on corporate boards or national commissions to consulting. The Task Force recognizes that these pursuits add value to the University and to the individual. In fact, existing UC Regents’ policy encourages UC’s senior executives to serve on non-profit boards and public commissions, as well as civic and community boards. These activities are often an extension of senior executives’ academic work and university leadership; they provide opportunities for senior leaders to engage with and serve their local communities; they extend UC’s influence, reach, and usefulness to national and international arenas; and they are consistent with the practices at other public and private universities.

   Notwithstanding these benefits, the Task Force strongly believes that UC senior executives’ service on externally compensated boards should be limited based on a standard of reasonableness. Such service must not represent a conflict of commitment, thereby detracting from one’s University duties. Nor should it create a conflict of interest.

   Furthermore, UC practices should be in accordance with leading standards prescribed for private corporations. Some recent cases at UC stand in stark contrast to emerging best practices in the private sector.

   Institutional Shareholder Services (ISS), a leading company that advises investors on board issues, recently recommended that corporate executives should be limited to serving on three outside boards and CEOs should serve on no more than two.\(^5\) Moreover, in the three years since the Sarbanes-Oxley Act took effect, the national trend among CEOs seems to be going towards reducing board service, not increasing it.\(^6\)

   Further, UC leadership should be guided by common sense about whether paid service on multiple boards draws attention away from an individual’s University responsibilities.

RECOMMENDATION

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. The Task Force finds that existing UC policies governing senior managers’ outside professional activities vary from those for faculty. This creates confusion for senior managers who also hold faculty appointments.

Policies governing outside professional activities for faculty and senior managers conflict in terms of how much time may be devoted to such activities, and approval and reporting requirements. This is a particular problem for senior managers who also hold faculty appointments, such as the chancellors. For these employees, both sets of conflicting policies currently apply.

The Task Force believes this must be remedied at once. For example, faculty policy permits full-time faculty members to engage in externally compensated activities for up to 39 days per academic year. But senior manager policy requires senior managers to use vacation time for these activities. The maximum vacation that any senior manager can accrue is 24 days per calendar year. So which policy prevails for a senior manager who is also a faculty member—24 days or 39 days? Again, the appearance is that UC executives can simply choose the most advantageous policy—or in this case, multiple policies—to follow.

RECOMMENDATION

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 Task Force finds that 1) UC executives have not followed University policies in granting paid leaves to departing chancellors and others; and 2) the Regents have not been properly informed at the time of appointment about the terms related to these leaves.

The practice at UC is for chancellors and other top administrators to take a one-year paid leave, at their administrative rate of pay, upon stepping down from office. Even though this type of leave—called an “administrative leave in lieu of sabbatical”—is allowed under policy, the arrangements and their terms have not been consistently disclosed to the Regents and the public, nor have these arrangements always adhered to the letter or the spirit of policy.

The Task Force is concerned about the following practices:

- The practice of “honoring” faculty sabbatical credits earned at a prior institution, as has been the case with some recent chancellor appointments;
- Paying year-long “administrative leaves in lieu of sabbatical” at the higher administrative salary rather than at the faculty salary;
- Waiving the requirement to return to performing faculty duties upon completion of the leave; and
- Making a lump-sum payment at the commencement of employment to compensate for forfeited sabbatical leave accrued at a prior institution. The Task Force is not aware of such a practice at any other institution.

In an attempt to understand the policy rationales for these actions, the Task Force reviewed Regents’ policies, presidential policies, and faculty policies. We found that policies
governing leaves for senior managers who also hold faculty appointments are particularly unclear and can be easily misinterpreted—and thus, easily manipulated to provide the desired outcome.

The Task Force finds this unacceptable because:

- The purpose of sabbatical leave is to enable faculty members, and senior managers returning to the faculty, to engage in extensive research and study, “to become more effective teachers and scholars and to enhance their services to the University.” This is not accomplished unless there is a return to university service after the leave.

- Sabbatical leaves are granted for the benefit of the University, not for the benefit of the individual. This argues against the recent practice of honoring sabbatical credits accrued at another institution. Even more dramatically, it illustrates that making a lump-sum payment at the start of employment for sabbatical credits earned at a prior institution contradicts the sabbatical policy rationale. Such a payment is clearly a benefit to the individual and not to the institution, and it does not comport with the return-to-university-service requirement.

The Task Force found no evidence that other institutions honor sabbatical credits earned at a prior institution when recruiting senior administrators.

Under policy, designated administrators with faculty appointments—chancellors, provosts, deans, and others—who have served at least five years in their administrative positions and have accrued the required faculty sabbatical leave credits are allowed to take “administrative leave in lieu of sabbatical,” immediately following their administrative service, up to a maximum of one year, at their higher administrative salaries, as long as they follow the return-to-UC-service requirement.

The Task Force supports the general policy of providing for a sabbatical-like leave for departing senior administrators to enable them to re-engage in academic pursuits, but it takes exception to the rate of pay. While the higher administrative rate of pay may be appropriate for deans on administrative leave in lieu of sabbatical (many of whom return to their dean positions following the leave), it is not appropriate for higher-level administrators. If the higher rate of pay is intended as a reward for serving as a senior manager or as a recruitment incentive at the time of hire, then the University should acknowledge this publicly and explicitly, and call it a signing bonus rather than granting it as a form of sabbatical leave.

RECOMMENDATION

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

The State of California is, by most measures, a nation-state. Its economy is the eighth-largest in the world. Its population is projected to reach 50 million by 2025. California is world-renowned for its leadership in industries built on scientific research and technological innovation. This leadership results from California’s longstanding commitment to higher education and scientific research.

Other states now recognize what California realized long ago: that economic prosperity and social well-being in a global knowledge-based economy require public investment in knowledge resources. That is, regions must create and sustain a highly educated and innovative work force, supported through policies and investments in cutting-edge technology, a knowledge infrastructure, and human capital development. Key in this effort is the presence of world-class research universities.

Throughout the past century, the people of California have benefited immensely from just such investments in building what many believe today to be the finest public university system in the world. Clearly the future of the state will depend even more on sustaining the global leadership of this remarkable institution, and this, in turn, will depend upon attracting and retaining top faculty talent in an ever more competitive global marketplace.

For UC to best serve the people of California, the Task Force believes that 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.8

In November 2005, the UC Regents recognized this principle by adopting a statement of compensation philosophy to guide compensation decisions by the University:

“...the University must remain in the top tier of the world’s research universities.”

1. The Task Force finds that UC’s compensation must be competitive if UC is to maintain its status as one of the great universities of the world.

It is vitally important to the future of the University, the state, and its people that the University invest and spend what is required to maintain its position as one of the best university systems in the world. University compensation policies and packages must allow UC to recruit and retain the faculty, administrators, and staff required to sustain its current standard of excellence.
2. The Task Force finds that UC has entered a period of intense competition and that it is currently at a competitive disadvantage relative to most of its peers in the top tier of universities.

The quality of a university is determined primarily by the ability of its faculty, administrators, and staff, all of whom are central to the University’s success. The Task Force cannot emphasize strongly enough just how competitive the current faculty recruiting (and retention) environment has become, and how intense the pressure has become on department chairs, deans, and senior officers to maintain the quality of faculty, administrative, and staff leadership.

Leading public research universities face extraordinary challenges today when attracting the best employees. For example, the competition for top faculty among leading research universities has become what economists would call a “winner-take-all” market. In recruiting for all categories of employees, UC is at a distinct disadvantage relative to comparable private universities, which have seen their endowments soar after many years of extraordinary fundraising success and strong stock market performance. UC, by contrast, has suffered from shrinking state budgets that have restricted the University’s resources and flexibility.

RECOMMENDATION

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.
3. The Task Force finds that the composition of UC’s compensation program needs to be examined to assess its overall competitiveness.

Recent studies have confirmed that while total compensation programs at the University have eroded somewhat, they continue to be comparable to those of the leading public universities in America. However, the bias within UC compensation programs toward benefits rather than cash compensation has led to salaries that are no longer competitive for some employee groups, particularly when other factors such as the cost of living are considered.

The Task Force observed that the composition of UC’s compensation program is weighted toward health and retirement benefits. In every employee category, UC cash compensation is significantly below the median level of the comparison group. This can put UC at a disadvantage because, while UC’s retirement and health benefits are generous, many younger employees place a significantly greater value on cash compensation than on health or retirement benefits that will not be of value for several decades. The same is true for those employees who do not expect to remain employed by the University for their entire careers, and therefore may never realize the value of these benefits. For employees who join UC late in their careers, UC’s benefits package may be of little value because these employees will not serve long enough to earn significant benefits. Additionally, median compensation figures do not take into account the differences in California’s cost of living—and especially the very high housing costs in most of the regions where UC campuses are located—relative to the cost of living for comparable universities.

Because of the premium employees place on cash compensation (an area in which UC is well below market) and the exorbitant cost of housing in California, UC compensation, arguably, may be below market for many employees.

The Task Force understands that the issues to be examined in reviewing the balance of cash compensation versus health and retirement benefits are very complicated and may differ among employee groups. In addition, the Task Force recognizes that for represented employees, these important issues are subject to the collective bargaining process.

RECOMMENDATION

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.

4. The Task Force finds that regular benchmarking is the best way to ensure that compensation is competitive.

The financial challenges faced by the University put it at a distinct competitive disadvantage in recruiting and retaining faculty, senior leaders, and staff. This challenge is exacerbated by the location of the UC campuses in some of the most expensive communities in America, characterized by unusually high housing costs (or considerable commuting distances from affordable housing).
The rising wealth of its peer universities and the escalating price of housing in UC campus communities make it essential that the University benchmark its compensation on a regular basis to ensure competitive compensation. Independent benchmarking data, like that used in the California Postsecondary Education Commission’s and other independent market studies, is crucial to analyzing the competitiveness of UC compensation relative to its peers, particularly the top-tier public and private universities with which UC most often competes for talent.

RECOMMENDATION

The Regents should regularly benchmark the University’s compensation against peer institutions to ensure that UC compensation remains competitive.

5. The Task Force finds that the Regents’ Compensation Committee is the lynchpin to ensure proper compensation accountability, oversight, and competitiveness.

Competitive compensation is critical to sustaining the University’s excellence and contributions to California. In view of the intensely competitive marketplace for faculty, staff, and administrative leadership, the University must establish strong oversight of its compensation so that it does not find itself in this situation again. In January 2006, the Regents established a Compensation Committee to oversee these issues. The Task Force acknowledges and supports this move.

In the coming months and years, the Compensation Committee must address a number of critical questions. For example,

- How, in today’s extremely competitive market and given its lower overall resources, compared especially with its private competitors, can the University compensate employees at the levels needed to maintain its quality and ensure its continued ability to contribute to the overall economic and social health of the State of California?

- How should the University’s compensation practices best balance the need to respond to the demands of the market, recognize individual merit, and provide equity among employees?

- Are faculty and other salary scales out-of-step with today’s market and, if so, has this misalignment contributed to increases in the number of “exceptions” to policy?

- Can and should compensation packages be simplified (for example, by combining one-time cash payments and special allowances for housing, transportation, etc. into a signing bonus at the time of appointment in cases where base pay is inappropriately low)?

RECOMMENDATION

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 with better-funded institutions for employees and the sometimes competing demands of market, merit, and equity.
The Task Force believes it essential that the University’s leadership carefully craft its compensation policies and practices, rigorously implement and enforce them, and hold senior leaders accountable.

**UC needs a sea change** in current policies and practices, as well as in a University culture long accustomed to using exceptions to work around inadequate or obsolete policies rather than establishing and ensuring compliance with clear guidelines. To institutionalize and sustain the Task Force’s recommendations, the University must focus simultaneously on disclosure and transparency, governance and accountability, and competitive compensation.

**The Task Force challenges the University to hold itself accountable to the public that supports it.** In approaching the tasks laid out in this report—which will require several years to complete if done well—the University must articulate its goals publicly, embark on a process that is appropriately open, and communicate the results to the public, the Governor and the Legislature, internal stakeholders, and other interested parties. Anything short of this will further erode the public trust and confidence necessary to sustain the University.

Additionally, as a final step in this accountability process, **the Task Force urges the Regents to authorize, in three years, a similarly constituted, independent body to review and report back on the University’s progress in these areas.**

In closing, we state unequivocally that the Task Force takes this strong stance, expressed with a tone of urgency, **to protect the institution that is the crown jewel in California’s higher education system and the envy of every state as well as countless nations.** The University of California is not only the finest public university in the world; **it is a vital positive force in the everyday lives of the people of California.** Indeed, the State of California has benefited enormously from its investment in the University.

It is clear that preserving the quality of the University of California requires compensation policies, programs, and practices capable of attracting and retaining top academic, administrative, and staff talent in an ever more competitive global marketplace. The leadership of the University must meet its obligations of stewardship for the considerable investments of past generations of Californians to build such a remarkable institution, while accepting the responsibilities to preserve and enhance this quality for future generations.

“**UC needs a sea change in…University culture....The Task Force takes this strong stance...to protect the institution that is the crown jewel in California’s higher education system and the envy of every state...**”
We, the members of the Task Force on UC Compensation, Accountability, and Transparency, declare that this report represents our best understanding, analysis, and guidance concerning the issues around UC compensation policies and practices. The issues raised in this report are substantive and demand diligent efforts at reform and rectification. We intend our recommendations to inform these efforts.

The extensive deliberations of the Task Force were based on information provided by a number of internal and external sources. Our recommendations were arrived at after considering all available information and by rigorously examining the practices, policies, and processes that have guided past compensation decision-making. We acknowledge that issues could arise in the future that might well affect our conclusions and recommendations.

We hereby submit this report.

Sincerely,

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