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AN OPEN LETTER FROM UC PRESIDENT ROBERT C. DYNES

Dear Friends:

Many of you may know that in recent weeks the San Francisco Chronicle has published a series of stories about pay and benefits at the University of California. These stories have questioned the compensation levels of faculty and senior administrators at the University; criticized the University for a lack of transparency in the process of setting these compensation levels; and highlighted housing, entertainment, and other expenditures which are tied to the work of the University but which understandably are questioned by many who read about them.

I have been concerned about the lack of context in the articles, including the lack of recognition that salaries for faculty and staff across the University lag those of comparable institutions by a significant margin. Today's competition for the most talented faculty and staff means that preserving the quality of the institution costs money, and this phenomenon affects not only the University of California, but all of American higher education.

I also believe, however, that the articles raise some important issues about compensation at UC that we must address in a candid, straightforward way.

I want the University of California to be competitive for the best talent anywhere, because having the best talent here helps make California great-- it confers incalculable benefits in the economy, health, and quality of life of our state. I also want the University to be accountable to the public and open to its scrutiny. We are a public institution, we are established as a public trust, and we have a responsibility to be open with the public which supports us.

At their last meeting, The Regents adopted an explicit goal of achieving market-competitive salaries for all University employee groups in the coming years, along with new accountability mechanisms providing an enhanced Regental role in the setting of senior-level salaries. We do not have the resources to address all market

parity issues for our employees immediately. *But I want to emphasize the commitment of the entire University leadership to addressing the compensation needs of all faculty and staff groups as aggressively as we can.*

With all of these issues in mind, I want to tell you about the following actions the University is taking:

- *We are announcing today, in a separate press release, the membership of a task force – comprising individuals independent of the UC administration – who will review both the University’s compensation policies and the transparency of our compensation practices.* This group, to be co-chaired by former Assembly Speaker Robert Hertzberg and Regent Joanne Kozberg, will be asked to review current Regents’ compensation policies and practices for faculty and senior managers and recommend appropriate changes; and to review current disclosure policies and practices and recommend appropriate changes to achieve the University’s responsibilities as a public institution while also protecting the personal privacy rights of University employees as required by law. In doing so, the group will review the compensation policies and practices, as well as disclosure policies and practices, for faculty and senior managers at other universities.

The task force is to report to The Regents by March 1, 2006, and provide The Regents with an interim report at the January 2006 Regents’ meeting. We are asking the group to provide a candid, forthright, uncensored set of recommendations. Those recommendations will be made public. The highly-respected individuals named to the task force bring to it their contributions from governmental, public policy, media, and faculty perspectives. Regent Kozberg and Regent Monica Lozano will represent The Regents on the task force because the Board, as the governing body of the University, is responsible for providing oversight of our compensation policies and practices. Professor Cliff Brunk, chair of the Academic Council, will represent the UC faculty on the task force in recognition of the faculty’s important role in shared governance.

- *Simultaneously, Regents’ Chairman Parsky is establishing a Regents’ Committee on Compensation, with my full support.* This committee will provide ongoing oversight of faculty and administrative employee compensation, as well as oversight of transparency in compensation practices. In addition, the new committee will monitor the University’s progress in bringing salaries for all employee groups to market comparability; conduct regular studies to examine the competitiveness of UC compensation for faculty and all

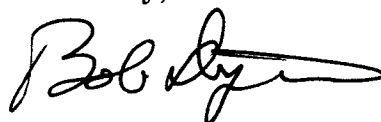
categories of administrative employees; review annual reports on senior management compensation and outside professional activities; and review the salaries of individual senior managers, whose compensation requires Regental approval, prior to review and approval by the full Board.

- *In addition, Chairman Parsky and I are ordering an independent audit of current compensation arrangements and departure packages for all positions that now require compensation approval by The Regents under Regents' Resolution 61. Furthermore, I am asking the University Auditor to conduct regular, random audits of the administrative funds, travel expenses, housing expenses, and entertainment reimbursements of senior University leaders in order to ensure compliance with University policy.*
- *I am implementing new policies governing expenses in support of the President and Chancellors to increase systemwide consistency and public accountability. These new policies seek to provide greater clarity and consistency regarding administrative and housing expenditures by the President and Chancellors in support of the University's mission.*
- *As I announced at the November Regents' meeting, we are making a series of additional improvements to our compensation disclosure practices, including publicly Web-posting salary decisions made by The Regents following their closed-session actions and reporting to The Regents annually on total compensation and any reportable outside income for senior University managers. This information will be made public as well.*

You can read more about these issues on our Web site at:
<http://www.universityofcalifornia.edu/news/compensation/>.

I am a great believer in the University of California-- in its mission, in its purpose, in its people, and in its vital contributions to our society. This is a magnificent institution that has improved the lives of literally millions of people and made a fundamental contribution to the creation of the California we know today. I am committed to sustaining the excellence of the University, to preserving and enhancing its connection with and accountability to the public, and to providing care and attention to all the members of our University family. I look forward to working with you to achieve these goals.

Sincerely,



Robert C. Dynes