

November 8, 2006

Dear Colleague:

I am writing on behalf of the Board of Regents to inform you about an important new step we are taking toward full disclosure of UC compensation and to share with you a new preliminary report on 2005-06 fiscal year payroll data.

It was about this time last year that the *San Francisco Chronicle* published its first story regarding compensation at UC, based on its Public Records Act request for and receipt of the University's systemwide payroll database for the 2004-05 fiscal year. You may recall that the story centered on "above base pay" -- compensation provided to employees that was in addition to base pay.

A detailed analysis of the payroll data showed that the majority of this "above base pay" went to health sciences faculty for treating patients or conducting research, and to campus faculty for additional teaching and research they do during the summer. The analysis also showed that above base pay paid to senior managers was less than 1% of the total.

Through extensive external, internal and state audits, we also discovered cases of inappropriate pay that were either exceptions to University policy or not properly approved by the Board of Regents. The University has responded aggressively by implementing new approval requirements for exceptions to policy, and The Regents have adopted new policies for public disclosure of compensation information, open-session committee votes of The Regents on compensation items, new policy compliance mechanisms and oversight positions at the Office of the President, and new requirements governing employee agreements, among other things. We have further reported total compensation for those positions approved by The Regents, and have committed to full annual reporting of total compensation for the entire senior leadership group.

We remain committed to openness and transparency, and for that reason have decided to take two additional steps:

First, in keeping with our trust to the public, we will be making public, effective immediately, total compensation for all University employees. Compensation for members of the senior management will be immediately posted online at www.universityofcalifornia.edu/news/compensation. Compensation for all other employees will be immediately available in hard copy at the Office of the President and at the Sacramento Office of State Governmental Relations, and by November 14, 2006, in each of the campus libraries.

While we are aware that some employees may regard this as an intrusion of their privacy, please remember that you are public employees working for a public institution – and as such, your compensation, under the California Public Records Act, is considered a public record.

This is outlined in the staff personnel policy in Personnel Policies for Staff Members (PPSM) 80(C): http://atyourservice.ucop.edu/employees/policies/staff_policies/spp80.html

*"Information which is public information and which should be released upon request includes name, date of hire, current position title, **current salary**, organizational unit assignment, date of separation, office address and office telephone number, current job description, full-time or part-time, and appointment type."*

The academic personnel policy, Academic Personnel Manual (APM) 160-20(b)(4): <http://www.ucop.edu/acadadv/acadpers/apm/apm-160.pdf> , states that any “non-personal” information “*is public information and is available upon request to any person or entity without limitation.*” It defines “non-personal” academic personnel information as including name, date of hire or separation, current position title, and **current rate of pay**.

Many other public institutions follow this practice as a matter of course, and it is the view of The Regents that the University of California must follow suit.

Second, as part of our ongoing commitment to understand and address compensation issues, we have undertaken an analysis of this past fiscal year’s payroll data. The analysis can be found at <http://www.universityofcalifornia.edu/news/compensation>.

While a complete review of the 2005-06 payroll will not be final until mid-December, the report provides a preliminary analysis of some of the bigger elements. Here are a few highlights:

- Like last year, the vast majority of “above base pay” for 2005-06 (nearly 80 percent) went to employees in academic occupations – professors, clinical professors, other teaching faculty, research titles, and a variety of other academic titles – and nearly 50 percent of the funding for this compensation came from medical compensation plans and other activities associated with UC’s teaching hospitals.
- “Above base pay” for UC senior managers remains essentially flat in 2005-06.
- UC continues to implement reforms to compensation programs to provide for policy compliance and appropriate public disclosure.

We would like to underscore two very important points about this information.

First, the vast majority of the issues identified by the audit and task force findings concerned lack of compliance with internal approval and reporting protocols, not excessive compensation. Indeed, many of the findings confirm UC’s need to pay competitive compensation and benefits and acknowledge that compensation levels for many employee groups continue to lag the market, significantly so in many cases.

Second, there is nothing inherently inappropriate suggested by the growth in payroll generally and the amounts of “above base pay” specifically. As detailed in the report, there are appropriate and legitimate reasons why our payroll has grown. Moreover, we *should* and hopefully will see increases in our payroll from one year to the next as the University continues to grow in order to better serve more California students and teaching hospital patients.

As a public institution, UC has an obligation to be transparent and publicly accountable for its conduct, including the way it compensates its faculty and staff. The University has expended enormous effort this past year identifying and implementing needed reforms to its compensation-related policies and practices. While much has been accomplished, there remains more to do, and we remain committed to doing everything we can to maintain the public’s trust.

Sincerely,

Gerald L. Parsky
Chairman