

COMMITTEE ON COMPENSATION
January 20, 2011

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

1. **INDIVIDUAL COMPENSATION ACTIONS**

A. ***Term Appointment of and Total Compensation for David H. Hosley as Interim Vice Chancellor – University Relations, Merced Campus***

Background to Recommendation

Approval is requested for the term appointment of and compensation for David H. Hosley, who has been asked by the Chancellor to extend his service as Interim Vice Chancellor – University Relations, Merced campus, for an additional one-year period, effective February 1, 2011 to January 31, 2012, or until the appointment of a permanent Vice Chancellor – University Relations, whichever occurs first. This request is in response to the resignation of the prior incumbent, effective January 4, 2010, to pursue a new career path.

Mr. Hosley joined UC Merced in 2008 as President of the Great Valley Center, a not-for-profit entity headquartered in Modesto and affiliated with the Merced campus. His service as Great Valley Center President terminated effective September 1, 2010. Mr. Hosley, a seasoned fundraiser with a strong background in communications, governmental relations, and administration, assumed the Interim Vice Chancellor post on February 1, 2010. In his term as Interim Vice Chancellor, he has made a number of significant contributions to UC Merced. He successfully led targeted fundraising efforts, strengthened the operation of the University Relations office, and continues to build relationships in the public, private, and educational sectors for the campus throughout the San Joaquin Valley and in Sacramento. During this additional one-year assignment, Mr. Hosley will continue to be responsible for the broad areas of fundraising, communications, and governmental relations as well as for the further development of a strategic plan for University Relations.

The campus requests that Mr. Hosley continue to receive his current annual base salary of \$201,000 as Interim Vice Chancellor – University Relations. The proposed base salary of \$201,000 is 28.8 percent below the current market median of \$282,428. Market data are provided by Mercer Human Resource Consulting, which include data from the 2009/2010 College and University Professional

Association (CUPA) Administrative Compensation Survey. In addition, the proposed base is 8.1 percent below the midpoint for SLCG Grade 107 (Minimum \$172,300, Midpoint \$218,700, Maximum \$265,000) and 24.7 percent below the average base salary of \$266,938 for the Vice Chancellor – University Relations at the other UC locations.

This position is funded 100 percent by UC general funds provided by the State.

Recommendation

The Committee recommends approval of the following items in connection with the term appointment of and compensation for David H. Hosley as Interim Vice Chancellor – University Relations, Merced campus:

- (1) Per policy, term appointment of David H. Hosley as Interim Vice Chancellor – University Relations, Merced campus.
- (2) Per policy, annual base salary of \$201,000 at SLCG Grade 107 (Minimum \$172,300, Midpoint \$218,700, Maximum \$265,000).
- (3) This appointment is at 100 percent time and, upon approval, will be effective February 1, 2011 through January 31, 2012, or until the appointment of a permanent Vice Chancellor – University Relations, whichever occurs first.

Recommended Compensation

Effective Date: February 1, 2011

Term Appointment Base Salary: \$201,000

Total Cash Compensation: \$201,000

Grade Level: SLCG Grade 107

(Minimum \$172,300, Midpoint \$218,700, Maximum \$265,000)

Median Market Data: \$282,428

Funding Source: State Funds

Percentage Difference from Market: 28.8 percent below market

Budget &/or Prior Incumbent Data

Title: Interim Vice Chancellor, University Relations

Base Salary: \$201,000

Total Cash Compensation: \$201,000

Grade Level: SLCG Grade 107

(Minimum \$172,300, Midpoint \$218,700, Maximum \$265,000)

Funding Source: State Funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.

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

Submitted by: UC Merced Chancellor Kang
Reviewed by: President Yudof
Compensation Committee Chair Varner
Office of the President, Human Resources

B. *Annual Merit Increases for Members of the Senior Management Group at the Lawrence Berkeley National Laboratory*

Background to Recommendation

On July 29, 2010, the Lawrence Berkeley National Laboratory received approval from the U.S. Department of Energy for a salary budget allocation of four percent for federal fiscal year 2011. The allocation includes 2.8 percent for merit increases, one percent for reclassifications and equity adjustments, and 0.2 percent for promotions throughout the year.

The Laboratory, in attempting to balance the need to remain competitive with the need to control costs, has used only 2.98 percent of the allocated budget. Merit increases across the Laboratory totaled 2.66 percent of payroll, reclassifications and equity adjustments totaled 0.28 percent, and only 0.04 percent was used for promotions. None of these actions were at the Senior Management Group level.

Recommendation

The Committee recommends approval of merit increases for Senior Management Group (SMG) members at the Lawrence Berkeley National Laboratory, as proposed by the Laboratory Director and as presented below.

In accordance with the approval authority guidelines approved by the Regents at their September 2008 meeting, and with the SMG Salary and Appointment Policy also approved by the Regents at their September 2008 meeting, compensation for SMG employees at the Laboratory is presented for Regental approval. Additional merit increases under the authority of the President and the Laboratory Director will be presented in the Bi-monthly Transaction Monitoring Report at the March 2011 meeting.

All merit increases at the Laboratory will be made with funds provided by the U.S. Department of Energy's four percent salary budget allocated for fiscal year 2011, including 2.8 percent for merit increases. The average increase for the SMG

population listed below is 2.5 percent. Except as shown below, the effective date of the increases is October 1, 2010.

NAME	JOB TITLE	PREVIOUS BASE SALARY	PERCENT INCREASE	NEW BASE SALARY
Falcone, Roger W.	Associate Laboratory Director – Photon Sciences	\$274,008	1.8%	\$278,940
Siegrist, James L.	Associate Laboratory Director – General Sciences	\$283,572	2.5 %	\$290,664
Fernandez, Jeffrey A.	Management IV – Chief Financial Officer	\$266,472	2.8 %	\$273,936
Krupnick, James T.	Associate Laboratory Director and Chief Operating Officer	\$307,908	3.2 % merit 2.7% equity	\$326,372
Blair, Jeffrey	Management III – Laboratory Counsel	\$260,004	2.8 % ¹	\$267,288

Except as expressly modified by the Regents above, the University's total compensation commitment for the aforementioned employees remains unchanged. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: Laboratory Director Alivisatos
Reviewed by: President Yudof
Compensation Committee Chair Varner
Office of the President, Human Resources

C. *Salary Adjustments for Key Senior Management Group Positions in the Chief Financial Officer Organization, Office of the President*

Background to Recommendation

Approval is requested for salary adjustments for Chief Risk Officer Grace Crickette, Assistant Vice President – Financial Services and Controls Dan Sampson, and Executive Director – Capital Markets Finance Sandra Kim, Office of the President, to be effective upon approval.

Ms. Crickette, Mr. Sampson, and Ms. Kim have historically received an individualized incentive equal to ten percent of their annual base salary. All three incumbents continue to consistently exceed performance expectations established at the time of their respective appointments; however, elimination of the incentive component due to the introduction of a standardized, systemwide incentive/bonus

¹ Effective date of merit increase for Jeffrey Blair is November 3, 2010, six months after appointment effective date of May 3, 2010. Per Lawrence Berkeley National Laboratory salary administration guidance, employees hired, promoted or reclassified after April 1 are eligible to receive a merit increase after a six-month period.

architecture limiting participation in such plans has left a void in the pay-for-performance model. The requested ten percent increase to base salary will provide compensation to recapture the incentive pay opportunity that was eliminated. The ten percent increase to base salary will affect each person's base salary as reflected below:

<u>Name</u>	<u>Base Salary</u>	<u>Proposed Base Salary</u>
Grace Crickette	\$196,700	\$216,370
Dan Sampson	\$213,200	\$234,520
Sandra Kim	\$225,000	\$247,500

The source of funds is State General Funds.

Recommendation

The Committee recommends approval of the following:

- (1) A ten percent increase to base salary for the following Senior Management Group members, Office of the President:
 - a. Grace Crickette as Chief Risk Officer, SLCG Grade 106 (Minimum \$154,200, Midpoint \$195,200, Maximum \$236,100), resulting in an annual base salary of \$216,370 and elimination of any incentive pay component.
 - b. Dan Sampson as Assistant Vice President – Financial Services and Controls, SLCG Grade 107 (Minimum \$172,300, Midpoint \$218,700, Maximum \$265,000), resulting in an annual base salary of \$234,520 and elimination of any incentive pay component.
 - c. Sandra Kim as Executive Director – Capital Markets Finance, SLCG Grade 107 (Minimum \$172,300, Midpoint \$218,700, Maximum \$265,000), resulting in an annual base salary of \$247,500 and elimination of any incentive pay component.
- (2) Continuation of their respective appointments at 100 percent time.
- (3) Effective upon approval.

Recommended Compensation – GRACE CRICKETTE

Effective Date: Upon approval

Base Salary: \$216,370

Total Cash Compensation: \$216,370

Grade Level: SLCG Grade 106

(Minimum \$154,200, Midpoint \$195,200, Maximum \$236,100)

Median Market Data: no match
Funding Source: 100 percent State Funds
Percentage Difference from Market: N/A

Budget &/or Prior Incumbent Data

Title: Chief Risk Officer
Base Salary: \$196,700
Funding Source: 100 percent State Funds

Recommended Compensation – DAN SAMPSON

Effective Date: Upon approval
Base Salary: \$234,520
Total Cash Compensation: \$234,520
Grade Level: SLCG Grade 107
(Minimum \$172,300, Midpoint \$218,700, Maximum \$265,000)
Median Market Data: no match
Funding Source: 100 percent State Funds
Percentage Difference from Market: N/A

Budget &/or Prior Incumbent Data

Title: Assistant Vice President, Financial Services and Controls
Base Salary: \$213,200
Funding Source: 100 percent State Funds

Recommended Compensation – SANDRA KIM

Effective Date: Upon approval
Base Salary: \$247,500
Total Cash Compensation: \$247,500
Grade Level: SLCG Grade 107
(Minimum \$172,300, Midpoint \$218,700, Maximum \$265,000)
Median Market Data: no match
Funding Source: 100 percent State Funds
Percentage Difference from Market: N/A

Budget &/or Prior Incumbent Data

Title: Executive Director, Capital Markets Finance
Base Salary: \$225,000
Funding Source: 100 percent State Funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).

- Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.

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

Submitted by: Executive Vice President and Chief Financial Officer Taylor

**Reviewed by: President Yudof
Compensation Committee Chair Varner
Office of the President, Human Resources**

D. *Re-slotting, Title Change, and Appointment of and Compensation for John Wilton as Vice Chancellor – Administration and Finance, Berkeley Campus*

Background to Recommendation

The UC Berkeley Vice Chancellor – Administration and Finance, as the senior executive for administration, finance, and resource management, partners directly with the Chancellor and Executive Vice Chancellor and Provost in setting the campus' long-range administrative and financial goals and takes a strong leadership role in the management of the campus, the development of campus policies, and the distribution and utilization of financial, capital, and human resources. The Vice Chancellor – Administration and Finance supports all phases of the Berkeley campus' academic, capital, and financial planning and budgeting processes, as well as the development of strategic planning and management processes that integrate space, fiscal, and human resource considerations to advance the campus' instructional, research, and public service missions and operational excellence.

The Berkeley campus engaged an executive search firm to conduct a national search for the key leadership position of Vice Chancellor – Administration and Finance after the departure of the previous incumbent, Nathan Brostrom, who served as Vice Chancellor – Administration until January 31, 2010. Following an exhaustive search, John Wilton was selected for his proven outstanding finance and organizational leadership skills. The campus is requesting approval of his appointment and compensation, as well as the re-slotting and title change for Mr. Wilton as Vice Chancellor – Administration and Finance, Berkeley campus, effective upon approval. This position is funded 100 percent by UC general funds provided by the State.

The previous incumbent was slotted at SLCG Grade 110 as Vice Chancellor – Administration. The responsibilities of the role have expanded significantly to include leading and implementing a critical operational change initiative for the

Berkeley campus and a major cost and workforce restructuring strategy expected to realize \$75 million in annual permanent savings over the next two to three years. At a time of continuing resource constraints, the Vice Chancellor – Administration and Finance will lead the implementation of Berkeley’s Operational Excellence effort, a transformational change program composed of several campus-wide initiatives to reduce costs, improve services, and manage institutional risk in the areas of procurement, information technology, energy, student services, organizational simplification, high-performance culture, and financial management. The title Vice Chancellor – Administration and Finance better reflects the scope and scale of both the financial and administrative roles and responsibilities of this position today.

Given the severe financial strains facing the University of California and the challenges they create for the Berkeley campus to sustain its academic preeminence, it is critical to have outstanding leadership in this portfolio. The campus was advised by Spencer Stuart, its search consultants, that the pool of individuals with the skills required to take on financial and administrative roles of this scope and scale is limited. Spencer Stuart identified attracting “best-in-class” finance leaders as a major challenge and found that comparable positions at Berkeley’s peer institutions were compensated on average over \$200,000 more than Berkeley could reasonably offer. Comparable leaders at institutions such as Columbia, Ohio State, University of Michigan, and University of Pittsburgh draw salaries ranging from \$412,000 to more than \$600,000. The resulting proposed salary of \$375,000 was benchmarked to recent “best-in-class” finance appointments within the UC Office of the President and a recent similar appointment at UCSF.

Mr. Wilton brings more than 25 years of financial experience to this position, and his areas of expertise are critical to campus operations. At Farallon Capital Management last year, Mr. Wilton’s earnings, as a combination of bonus and base salary, were approximately three times the proposed Berkeley salary. Based on the scope of duties, the criticality of the Vice Chancellor – Administration and Finance function and current market competition, the campus proposes an annual base salary of \$375,000. According to Mercer Human Resource Consulting and the 2009/2010 College and University Professional Association (CUPA) Administrative Compensation Survey, market data range from a median of \$318,085 to \$368,130 (75th percentile). Mr. Wilton’s unique skill sets and the difficulty in the recruitment efforts required that the campus compensate him near the 75th percentile. The proposed base salary of \$375,000 is approximately two percent above the market 75th percentile of \$368,130 and approximately nine percent above the salary range midpoint of \$344,000.

Recommendation

The Committee recommends approval of the following items in connection with the re-slotting, title change, appointment of and compensation for John Wilton as Vice Chancellor – Administration and Finance, Berkeley campus:

- (1) Appointment of John Wilton as Vice Chancellor – Administration and Finance, Berkeley campus.
- (2) Per policy, an annual base salary of \$375,000.
- (3) Re-slotting of the position from SLCG Grade 110 (Minimum \$239,700, Midpoint \$307,200, Maximum \$374,500) to SLCG Grade 111 (Minimum \$267,700, Midpoint \$344,000, Maximum \$420,100).
- (4) Title change from Vice Chancellor – Administration to Vice Chancellor – Administration and Finance.
- (5) This appointment is at 100 percent time and effective upon approval.

Recommended Compensation

Effective Date: Upon approval

Base Salary: \$375,000

Total Cash Compensation: \$375,000

Grade Level: SLCG Grade 111

(Minimum \$267,700, Midpoint \$344,000, Maximum \$420,100)

Market Median Data: \$318,085

Percentage Difference from Market Median: 17.9 percent above market

Market Data (75th Percentile): \$368,130

Percentage Difference from Market 75th Percentile: two percent above market

Funding Source: UC general funds

Budget &/or Prior Incumbent Data

Title: Vice Chancellor – Administration

Base Salary: \$283,100

Total Cash Compensation: \$283,100

Grade Level: SLCG Grade 110

(Minimum \$239,700, Midpoint \$307,200, Maximum \$374,500)

Funding Source: UC general funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).
- Per policy, a five percent monthly contribution to the Senior Management

Supplemental Benefit Program.

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

Submitted by: UCB Chancellor Birgeneau
Reviewed by: President Yudof
Compensation Committee Chair Varner
Office of the President, Human Resources