

ANNUAL REPORT ON EXECUTIVE COMPENSATION FOR CALENDAR YEAR 2012: INCUMBENTS IN CERTAIN SENIOR MANAGEMENT POSITIONS

EXECUTIVE SUMMARY

The extent to which the University of California publicly discloses the compensation of its employees is unequalled in higher education. As part of this commitment to transparency and public accountability, this report provides detailed information on compensation paid to the University's senior-most administrators, the Senior Management Group (SMG) members and officers of the University, regardless of compensation amount, as well as that of non-SMG employees whose cash compensation exceeds \$250,000. The report is posted on UC websites to ensure public access to the information. The report adheres to a broad definition of compensation adopted by the Board of Regents.

Specifically, this report provides compensation information for calendar year 2012 for the following employees: (1) all incumbents in the SMG personnel program whose compensation was approved by the Regents; (2) all incumbents acting in the SMG capacity, regardless of their total cash compensation; (3) all officers of the University regardless of their total cash compensation; (4) all incumbents in administrator positions who are non-academic, non-represented, exempt employees whose total potential cash compensation exceeds the current reporting threshold; and (5) incumbents in "Other Specified Employees" (OSE) positions, such as athletic directors and coaches, whose total cash compensation exceeds the current reporting threshold. The current reporting threshold is \$250,000 per year.

OBSERVATIONS OF COMPENSATION FOR 2012

- **Executive compensation remains a small percentage of payroll:** Compensation for SMG members included in this report continues to represent less than 1 percent of UC's total payroll of \$11.2 billion.
- **UC health sciences personnel and coaches remain the highest paid:** As in previous years, the top earning employees at UC in 2012 were world-renowned physicians paid predominantly from their clinical practices and senior administrators paid from UC medical center revenues. In addition, athletic coaches included in this report are also paid from non-State funds.
- **Negative impact of the lack of annual merit or cost of living increases:** For many years, budgetary challenges have meant that UC employees have not received regular salary program increases. In 2011, after several years without staff merit increases, including one year when salaries were reduced through a furlough/salary reduction program, the University was able to fund such increases. However, SMG members were excluded from this program. In addition, many employees, including SMG members, have assumed additional responsibilities as a result of budget-induced layoffs of their co-workers and, at the same time, have seen their take-home pay decrease as their contributions to health and pension plans increased.
- **UC cash compensation relative to market:** Ever since receiving the results of a 2009 total compensation study, UC has continued to face concerns that faculty and staff salaries lag significantly behind market levels due to years of declining and inadequate State support.
 - According to the 2009 study, the largest compensation gap existed for SMG members, whose cash compensation was, on average, 22 percent below that of their counterparts at

competitor institutions. Cash compensation for Managers, senior professionals and professionals and support staff – both union-represented and non-represented – lags behind their counterparts as well. On average, the gap for all of those categories ranges from 13 percent to 19 percent. Although the UC was able to fund some merit increases in 2011, implementation of a broader plan to achieve market-competitive pay (“*Regents Policy 7203: Policy on Universitywide and Senior Leadership Compensation*”) has been delayed because of the ongoing State fiscal crisis.

- SMG members were excluded from participating in the 2011 merit program, which hindered the University’s ability to address the salary lags shown in the 2009 data.
 - The President and Chancellors have not received salary increases in six years.
 - The lack of salary increases over a multi-year period threatens to exacerbate existing talent retention and hiring challenges at UC. These challenges are expected to grow, particularly as the economy recovers and more institutions are in a position to recruit UC’s top performers.
- **UC Chancellors’ compensation relative to market:** According to the 2011 University President and Chancellor Compensation Survey, UC Chancellors’ median salary lags the Full Comparison Group median by 29 percent and the AAU public institutions median by 10 percent. In addition, UC Chancellors’ median total cash compensation similarly lags the Full Comparison Group - - the 26 public and private institutions designated by CPEC as the University’s comparator group - - median by 35 percent, AAU public institutions by 19 percent, Institutions with Medical Centers by 34 percent and Private Institutions by 47 percent.
 - **Incentive compensation is used to motivate excellent performance in support of University priorities:** Like many employers nationwide, UC uses incentive compensation plans to encourage and reward sustained individual and group performance in support of key University objectives:
 - **Medical Centers:** Incentive compensation plans for UC medical centers include employees at all levels--from clerical and custodial staff to senior hospital leaders--and reward individual as well as group efforts that further key priorities, such as improving patient care and safety, enhancing operational efficiency and maintaining sound financial management.
 - **Office of the Chief Investment Officer formerly known as the Treasurer’s Office:** Consistent with industry standards, the Office of Chief Investment Officer (CIO) incentive compensation plan motivates and rewards employees responsible for maximizing long-term total investment returns while assuming appropriate levels of risk and promoting teamwork.
 - **Coaches:** For coaches included in this report, incentive compensation is funded by athletic department revenue or other non-State revenue sources, including revenue generated from television and radio contracts, marketing arrangements with equipment and clothing manufacturers, and summer sports camps. Coaches’ incentive compensation is typically tied to attainment of specific goals, such as winning a national championship, and is paid only if those goals are met. As winning records increase, national attention brings employment opportunities, which may require adjusting compensation terms to retain successful coaches. When hiring a new coach or retaining an existing coach, the market demand for their services necessarily plays a role in determining the compensation offered by the University. The compensation offered to UC coaches is also aligned with that of other coaches in the PAC-12 with comparable win/loss records.

- **No State funds used for incentives:** State funds were not used to fund incentive award payments for clinical and health sciences personnel, CIO personnel, coaches and other athletic personnel included in this report.
- **Funding source for recognition awards:** Recognition awards may be funded within existing division and department budgets. Unrestricted fund sources (mainly general and common funds) may be used for recognition awards. The use of restricted funds is subject to any restrictions on those funds.
- **Incentive and recognition award pay by the numbers:** Of the 315 employees included in this report, 130 received incentive or recognition award pay, which collectively totaled approximately \$11.4 million, or approximately 0.1 percent of UC's \$11.2 billion annual payroll. The \$6.2 million in payments from the medical enterprise's Clinical Enterprise Management Recognition Plan (CEMRP) and other clinical incentive plans represented 54 percent of all incentive and award pay received by employees included in this report. Payments under the CIO Annual Incentive Plan (AIP), \$4.3 million, represented 38 percent of the total. Coaches' incentive and recognition awards totaled approximately \$950,000, or 8 percent of the total. Recognition award program payments of approximately \$15,000 made up the remaining 0.1 percent.

REPORT FORMAT AND CONTENT

The report includes compensation information for 313 University employees who were in a position that met the reportable population criteria as of December 31, 2012. The report does not include employees who separated from the University prior to December 31, 2012.

The report consists of two sections: (1) a list of the employees and the compensation elements that each received for the calendar year; and (2) an addendum with footnotes that provides additional information regarding some of the compensation elements listed for particular employees.

The following information provides a description of the data in each column of the report:

Annualized Base Salary as of December 31: This column reports the annualized base salary rate for the employee and includes any changes to the employee's base salary as of December 31, 2012, such as market, equity, merit, and other salary adjustments.

Actual Base Salary Received: This column reports the actual base salary received by the employee for the calendar year.

Actual Incentive/Recognition Awards Received: This column reports the total incentive awards and/or recognition awards received by the employee for the calendar year. Such compensation falls into one of the following categories: (a) incentive and/or recognition award compensation received by coaches; (b) incentive awards from the Clinical Enterprise Management Recognition Plan (CEMRP) and other clinical incentive plans; (c) incentive awards from the CIO Annual Incentive Plan (AIP); (d) awards from recognition award plans.

Actual Health Sciences Compensation Plan Received: This column reports the total compensation received by the employee for the calendar year through the Health Sciences Compensation Plan

(HSCP), per policy, from qualified outside activities such as clinical services, research and other professional activities. Because an employee's outside activities fluctuate from year to year, the HSCP payments will fluctuate accordingly. UC policy stipulates that the funds distributed from the HSCP not be derived from State sources.

Actual Stipend Received: This column reports the actual stipend total the employee received for the calendar year.

Actual Auto Allowance Paid: This column reports represents the actual auto allowance the employee received for the calendar year.

Other Cash Compensation/Payments Received: This column reports the total of any other compensation or payments that the employee received from the University for the calendar year.

Actual Housing/Relocation/Recruitment Allowances Paid to Employee: This column reports actual housing allowance, relocation allowance, and/or recruitment allowances that were paid to an employee for the calendar year.

Total Cash Compensation: This column reports the sum of the actual base salary received, actual incentive or recognition awards received, actual health sciences compensation received, actual stipend received, actual auto allowance received, other cash compensation/payments, and actual housing/relocation/recruitment allowances received by the employee for the calendar year. The total cash compensation may not correspond with the employee's W-2 earnings because there are elements included in W-2 earnings that are not included in the University's definition of total cash compensation, such as imputed income.

Senior Management Benefits: A "Y" in this column indicates that the employee received one or both of the following benefits for the calendar year: Senior Manager Life Insurance and/or Executive Salary Continuation for Disability.

University Provided Housing: A "Y" in this column indicates that the employee received University housing, which is provided to the President and the Chancellors (Executive Officers) who, as a condition of their employment, live in residences suitable for carrying out their roles and required official duties.

Severance Benefits: A "Y" in this column indicates that an individual has a severance or separation agreement.

Senior Management Supplemental Benefit: This column reports the percentage of the employee's total salary that the University contributed on the employee's behalf to the Senior Management Supplemental Benefit Program for the calendar year if the employee is an SMG member eligible for this benefit. SMG members with underlying tenured faculty appointments are not eligible to receive this benefit.

Additional Post-Retirement Benefits: A "Y" in this column indicates that the employee received post-retirement benefits such as retiree medical coverage, enhanced retirement income benefits, and enhanced retirement vesting schedules. This may occur with rehired retirees.

Reimbursed Moving Costs: This column reports the total amount the employee received for the calendar year in connection with moving, such as a temporary housing allowance and reimbursement for house hunting trip expenses, travel expenses, and payments to outside vendors for the shipment of household goods, storage fees, or other moving expenses consistent with policy.

University Provided Home Mortgage: This column reports the original loan amount if an employee is participating in one of the University's home loan programs.

DATA COLLECTION, REVIEW, AND CERTIFICATION PROCESS

The Annual Report on Executive Compensation was produced from data collected by each campus, medical center and laboratory using a variety of sources, such as payroll, accounts payable and personnel records, to populate a data warehouse, the Senior Leadership Information System (SLIS). Multiple data quality reviews were conducted by the Office of the President (OP) and local entities. The first certification occurred at the individual level when each person received a report from SLIS displaying his or her data and was asked to certify that the information was accurate and complete. In addition, campus and OP staff reviewed the population and data to validate the accuracy and completeness of the data. Each Chancellor, Laboratory Director, and Executive Vice President reviewed his or her location's data and certified it to be accurate and complete. Thereafter, the President reviewed the contents of the report.

(Attachments)