



Office of the Chair
Telephone: (510) 987-9303
Fax: (510) 763-0309
Email: john.oakley@ucop.edu

Assembly of the Academic Senate, Academic Council
University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200

May 15, 2006

ROBERT DYNES
PRESIDENT

Dear Bob,

On behalf of the Academic Council, I enclose two documents for forwarding to the Regents. The first is a set of responses by the Council to each of the recommendations of the April 2006 Report of the Task Force on U.C. Compensation, Accountability, and Transparency. The second presents general commentary on selected recommendations of the Task Force.

Sincerely yours,

John Oakley Chair
Academic Council

Copy: Academic Council
María Bertero-Barceló, Executive Director

Encl. 2

Point-by-Point Responses of the Academic Council to the Recommendations of the April 2006 Report of the Task Force on UC Compensation, Accountability, and Transparency

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.

[1] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION WITH THE UNDERSTANDING THAT THE ACADEMIC SENATE WILL HAVE AN ACTIVE ROLE IN THE DEVELOPMENT OF THIS DISCLOSURE POLICY.

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.

[2] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION.

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.

[3] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION IN PRINCIPLE BUT IS CONCERNED THAT THE COST MAY DIVERT FUNDS FROM THE UNIVERSITY'S EDUCATIONAL MISSION.

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.

[4] THE ACADEMIC COUNCIL ENDORSES THE PRINCIPLE OF TOTAL TRANSPARENCY REPRESENTED BY THIS SET OF RECOMMENDATIONS. THE COUNCIL NOTES THAT THE RELEVANT FINDING OF THE TASK FORCE FOCUSES ON THE LACK OF AN ADEQUATE SYSTEM FOR REPORTING *EXECUTIVE* COMPENSATION. THE COUNCIL BELIEVES THAT THE UNIVERSITY SHOULD FIRST PUT IN PLACE A COMPREHENSIVE, TRANSPARENT SYSTEM FOR REPORTING THE TOTAL COMPENSATION OF EXECUTIVES, AND THEN WORK WITH THE ACADEMIC SENATE AND OTHER STAKEHOLDERS TO DETERMINE THE DEGREE TO WHICH SUCH REPORTING SHOULD BE EXPANDED TO OTHER GROUPS OF EMPLOYEES.

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.

[5] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION WITH THE UNDERSTANDING THAT THE ACADEMIC SENATE WILL HAVE AN ACTIVE ROLE IN THE STUDY OF THE APPROPRIATE SCOPE OF U.C.'S DISCLOSURE OF GENERAL EMPLOYEE COMPENSATION.

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.

[6] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL HAVE AN ACTIVE ROLE IN CLARIFYING PRESENT POLICY, E.G., IN DECIDING HOW TO VALUE AND REPORT NON-CASH ELEMENTS OF COMPENSATION SUCH AS HEALTH AND RETIREMENT BENEFITS EXTENDED TO ALL EMPLOYEES, IN-KIND HOUSING BENEFITS (SUCH AS CHANCELLORS’ RESIDENCES), AND UNIVERSITY-SPONSORED LOANS FOR THE PURCHASE OF PERSONAL HOUSING.

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.

[7] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION. WE UNDERSTAND THAT IT HAS ALREADY BEEN IMPLEMENTED BY PRESIDENT DYNES.

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.

[8] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL HAVE AN ACTIVE ROLE IN THE FORMATION AND FUNCTIONS OF THE PROPOSED COMPENSATION OVERSIGHT COMMITTEE, AND WILL CONTINUE TO HAVE AN ACTIVE VOICE THROUGH THE FACULTY REPRESENTATIVES AND THE NORMAL PROCESSES OF SENATE REVIEW IN THE REGENTS' DEVELOPMENT AND IMPLEMENTATION OF COMPENSATION POLICIES.

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.

[9] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL CONTINUE TO HAVE AN ACTIVE VOICE THROUGH THE FACULTY REPRESENTATIVES AND THE NORMAL PROCESSES OF SENATE REVIEW IN THE REGENTS' DEVELOPMENT AND IMPLEMENTATION OF POLICIES DELEGATING AUTHORITY FOR COMPENSATION DECISIONS TO THE PRESIDENT, THE CHANCELLORS, AND OTHER SENIOR MANAGERS.

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.

[10] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL CONTINUE TO HAVE AN ACTIVE VOICE THROUGH THE FACULTY REPRESENTATIVES AND THE NORMAL PROCESSES OF SENATE REVIEW IN THE REGENTS' DEVELOPMENT AND IMPLEMENTATION OF POLICIES FOR SEEKING AND APPROVING EXCEPTIONS TO UNIVERSITY COMPENSATION POLICIES.

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.

[11] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL CONTINUE TO HAVE AN ACTIVE VOICE THROUGH THE FACULTY REPRESENTATIVES AND THE NORMAL PROCESSES OF SENATE REVIEW IN THE REGENTS' DEVELOPMENT AND IMPLEMENTATION OF POLICIES SPECIFYING AN APPROPRIATE RANGE OF SANCTIONS AND ACCOMPANYING PROCEDURES FOR ENFORCING REGENTAL COMPENSATION POLICY.

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.

[12] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION WITH THE UNDERSTANDING THAT THE ACADEMIC SENATE WILL HAVE AN ACTIVE ROLE IN REFINING AND CLARIFYING THE COMPENSATION POLICIES APPLICABLE TO SPECIFIC EMPLOYEE GROUPS.

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.

[13] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION.

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.

[14] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION.

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.

[15] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION.

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.

[16] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION.

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.

[17] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION WITH THE UNDERSTANDING THAT THE ACADEMIC SENATE WILL HAVE AN ACTIVE ROLE IN

REVIEWING SABBATICAL-LEAVE POLICIES AS APPLIED TO ADMINISTRATORS HOLDING FACULTY APPOINTMENTS. THE ACADEMIC SENATE'S COMPENSATION PRINCIPLES, ADOPTED BY THE ACADEMIC ASSEMBLY ON FEBRUARY 8, 2006, CALL FOR ADMINISTRATIVE LEAVES AT ADMINISTRATIVE SALARIES FOLLOWING THE TERMINATION OF ADMINISTRATIVE DUTIES TO BE LIMITED TO NO MORE THAN 90 DAYS' DURATION.

Competitive Compensation

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.

[18] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL CONTINUE TO HAVE AN ACTIVE VOICE THROUGH THE FACULTY REPRESENTATIVES AND THE NORMAL PROCESSES OF SENATE REVIEW IN THE REGENTS' DEVELOPMENT AND IMPLEMENTATION OF UC'S COMPENSATION PHILOSOPHY. THE ACADEMIC SENATE'S COMPENSATION PRINCIPLES, ADOPTED BY THE ACADEMIC ASSEMBLY ON FEBRUARY 8, 2006, CALL FOR DUE CONSIDERATION TO BE GIVEN TO THE PUBLIC NATURE OF UC IN DETERMINING AND IMPLEMENTING ITS COMPENSATION PHILOSOPHY.

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.

[19] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL CONTINUE TO HAVE AN ACTIVE VOICE THROUGH THE FACULTY REPRESENTATIVES AND THE NORMAL PROCESSES OF SENATE REVIEW IN THE REGENTS' DETERMINATION OF THE PROPER BALANCE OF SALARY AND BENEFITS IN THE TOTAL COMPENSATION OF PARTICULAR GROUPS OF EMPLOYEES, AND IN PARTICULAR THAT NO CHANGES IN COMPENSATION POLICY AFFECTING FACULTY WILL BE PUT IN EFFECT WITHOUT FIRST BEING SUBJECT TO FULL SENATE REVIEW.

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.

[20] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL CONTINUE TO HAVE AN ACTIVE VOICE THROUGH THE FACULTY REPRESENTATIVES AND THE NORMAL PROCESSES OF SENATE REVIEW IN THE IMPLEMENTATION OF UC'S COMPENSATION PHILOSOPHY. THE ACADEMIC SENATE'S COMPENSATION PRINCIPLES, ADOPTED BY THE ACADEMIC ASSEMBLY ON FEBRUARY 8, 2006, CALL ATTENTION TO THE PUBLIC NATURE OF UC BY

DECLARING THAT “ADEQUATE FACULTY AND STAFF COMPENSATION MUST BE ACCOMPANIED BY ADEQUATE SUPPORT AND APPROPRIATE FEE POLICIES FOR GRADUATE AND PROFESSIONAL STUDENTS. . . . FOR BOTH FACULTY AND ADMINISTRATORS, THE ATTRACTIVENESS OF A UNIVERSITY OF CALIFORNIA POSITION DEPENDS NOT ONLY ON COMPENSATION BUT ALSO ON GOOD WORKING CONDITIONS FOR STAFF AND FACULTY, AN ENVIRONMENT THAT INCLUDES AN EXCELLENT AND DIVERSE STUDENT BODY, A FIRST CLASS RESEARCH ENVIRONMENT, AND THE ABILITY TO ATTRACT THE WORLD’S BEST GRADUATE AND PROFESSIONAL STUDENTS TO OUR PROGRAMS.”

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.

[21] THE ACADEMIC COUNCIL ENDORSES THIS RECOMMENDATION ANTICIPATING THAT THE ACADEMIC SENATE WILL CONTINUE TO HAVE AN ACTIVE VOICE THROUGH THE FACULTY REPRESENTATIVES AND THE NORMAL PROCESSES OF SENATE REVIEW IN THE REGENTS’ IDENTIFICATION OF AND RESPONSE TO THE KEY COMPENSATION CHALLENGES FACING UC TODAY, AND IN PARTICULAR THAT NO CHANGES IN COMPENSATION POLICY AFFECTING ACADEMIC PERSONNEL WILL BE PUT INTO EFFECT WITHOUT DUE CONSIDERATION OF SENATE RECOMMENDATIONS FOLLOWING FULL SENATE REVIEW.

General Commentary of the Academic Council on the Recommendations of the April 2006 Report of the Task Force on UC Compensation, Accountability, and Transparency

There is a great deal of sensitivity surrounding disclosure of specific individuals' salaries on the Internet (Disclosure Recommendation 4). While the Academic Council generally supports disclosure of salary information, there is concern regarding the need for a proper balance between public access and privacy. We should note that salary disclosure threatens serious damage, especially at a time when many salaries are below market. Some faculty and staff have been willing to accept below-market salaries for various reasons, but posting their sub-par salaries on the Internet could prove to be personally embarrassing. Given the sensitivity surrounding this question, it is crucial that the Academic Senate play an active role in the development and implementation of the disclosure policy.

The requirement for annual reports of all outside compensated activity should apply without qualification to executives to make certain that there are no conflicts of interest in their decision making (Disclosure Recommendation 4). For faculty and staff, this disclosure should be of all outside compensated activity *related to their professional expertise as a UC employee*. This limitation is already part of the health sciences compensation plans.

We agree that the practice of granting "exceptions" to policy has become so widespread that it threatens the integrity of administrative salary scales.

We agree that UC executives should be limited to service on no more than three externally compensated boards (Policy and Practice Recommendation 1).

We support the practice of giving those administrators who are also faculty members sabbaticals when they complete administrative service (Policy and Practice Recommendation 3), but believe that this sabbatical should be at

their rate as faculty members, not administrators. The Compensation Principles adopted by the Academic Assembly on February 8, 2006, call for administrative leaves at administrative salaries following termination of administrative duties to be limited to no more than 90 days duration. The practice of buying out sabbatical credits accumulated at other institutions should end and the rules regarding returning to the University at the end of sabbaticals be vigorously enforced.

While we concur with the need for the University to offer competitive compensation because of competition from other top tier institutions (Competitive Compensation Recommendation 2), it is important to emphasize that the University of California has competed for faculty in ways other than cash compensation that are embodied in the University of California as a public academic institution. The Compensation Principles adopted by the Academic Assembly on February 8, 2006, call for due consideration to be given to the public nature of UC in determining and implementing its compensation philosophy.

Competitive Compensation Recommendation 4 may appear to endorse the use of outside consultants for benchmarking (i.e., Mercer). The Senate has repeatedly pointed out serious deficiencies in Mercer's methodology. Given the sensitivity of these issues, as well as ongoing concern over the Mercer methodology, it is particularly important that no changes to compensation policy affecting faculty be implemented without full Senate involvement in developing any new compensation philosophy.

This point is also addressed under Competitive Compensation Recommendation 5 when the report asks, "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?" Raising this question is one of the most important insights in the report. We again call attention to the Compensation Principles, adopted by the Academic Assembly on February 8, 2006, which point to the University of California's public nature by stating that "adequate faculty and staff compensation must be accompanied by adequate support and appropriate fee policies for graduate and professional students. For both faculty and administrators, the attractiveness of a University of California position depends not only on compensation but also on good working conditions for staff and faculty, an environment that includes an excellent and diverse

student body, a first class research environment, and the ability to attract the world's best graduate and professional students to our programs.”