June 11, 2002

SENIOR VICE PRESIDENT MULLINIX
BUSINESS AND FINANCE


Dear Joe:

As you know, an ad hoc group appointed by the Academic Council has been reviewing the set of salary increases approved by the Regents last November for a number of administrators in UC’s Senior Management Group. At its May meeting, the Academic Council voted to approve the Compensation Group’s report, which I have attached to this letter. The Council also concluded that recommendations of the Group should be transmitted to you as recommendations of the Academic Council. The Council believed it would be helpful if I summarized these recommendations in this letter, along with the Group’s other findings.

By way of background, the Group was charged with answering two questions. First, how do the benchmarks used to set the senior administrators’ salary increases compare to the comparison-eight benchmarks used in connection with faculty salaries? Second, to what degree were the administrators’ salary increases tied to measures of individual performance, as opposed to membership in an administrative category? The Group was then given latitude to answer such additional questions as it deemed appropriate. After reviewing a large amount of material on this issue, the Group concluded that:

- The salary increases that were granted are warranted when the sole criterion for judgment is a comparison of the UC administrators’ salaries with the salaries of comparable administrators at comparable institutions.
• SMG salaries are not performance-based. Though most senior managers are subject to some form of review, there is no doubt, the Group concluded "that, at least at the highest levels, SMG salaries are based primarily on membership in administrative categories."

• Merit Review should be an integral part of the salary-setting process for membership in administrative categories.

• Raises such as these should not have been granted in the midst of the kind of financial crisis we are undergoing. These raises, which are quite large, are being granted at a time when faculty are receiving raises that are small to non-existent. The Group concluded that "any catch-up for administrators should have been postponed until the crisis had passed and other UC employees were once again being granted appropriate salary increases."

The Group also agreed on some general principles that it believes should be applied in establishing the salaries of senior managers. In the report, you will see that members of the Group held differing views as to the form the merit reviews should take in the salary setting process.

The Academic Council looks forward to discussing the Compensation Group's report with you, perhaps at the June Council meeting. I would add that the Group and the Council wish to express their thanks to you for the generous assistance you rendered to the Group as it went about its fact-finding in connection with this issue.

Sincerely,

Chand R. Viswanathan, Chair,
Academic Council
cc: Academic Council members
President Richard Atkinson
Provost C. Judson King
Senior Vice President Bruce Darling
Associate Vice President Judith Boyette
Report of the Academic Council’s Group on Compensation

Submitted to the Academic Council for Its Meeting of May 22, 2002

In November, 2001 the UC Regents approved substantial salary increases for a number of members of the UC Senior Management Group (SMG), including all executive vice chancellors and deans of engineering. This action was discussed with President Atkinson at the November meeting of the Academic Council, during which considerable dissatisfaction with the salary increases was expressed. Following that discussion, and at the invitation of President Atkinson, the Council appointed the Group on Compensation to look into the justification for the raises and report back to the Council. In a January 28, 2002 memo, Council Chair Viswanathan provided the charge for the Group. There were two principal components of that charge:

1) Determine how the benchmarks used to set the administrators’ increases compare to the Comparison Eight benchmark used in connection with faculty salaries.
2) Determine the degree to which salary increases for the administrators have been tied to measures of individual performance, as opposed to membership in an administrative category.

Accompanying the memo was some background material on SMG compensation that Council Chair Viswanathan had received from Senior Vice President Darling. That material included, among other things, a UCOP overview of senior management compensation, the 2001 William Mercer Report, the 2001 CPEC Report on Higher Education Executive Compensation, and the CPEC Report on Faculty Salaries. (All non-confidential supplementary materials referred to herein are on file in the Academic Council Office and will remain available until the end of the 2002-03 academic year). In the same memo, Chair Viswanathan informed us that Senior Vice President Mullinix had agreed to meet with the Group and to provide additional materials as appropriate.

On February 6, 2002 all members of the Group on Compensation met in a phone conference to discuss the charge and the actions needed to carry it out. In that meeting the Group developed a request for additional information that was sent to Senior Vice President Mullinix by e-mail on February 12, 2002. The questions posed were:

1) What have been the salaries of all deans and all senior managers identified by name, title, and campus? We would like these data going back to 1996-97. We are particularly interested in how salaries
changed when a new person assumed an office or when a person moved from one office to another.

2) The salary increases proposed this last Fall targeted two classifications – Executive/Senior Vice Chancellors and Deans—Engineering. For what reasons were those two classifications targeted?

3) Please clarify for us the 0.8%-of-base-salary pool from which the recent raises were funded. Are those funds drawn from the merit/COLA increases in the state budget?

4) How many classifications of senior managers are there and are data on comparative salaries, with either the Full Comparison Group or the Comparison Eight, available?

5) How many senior managers receive deferred compensation? In what form? How much?

6) What are the present values of the perquisites received by senior managers?

7) How many senior managers are covered by the University of California 415(m) Restoration Plan and what source of funds will be used to cover payments made under this plan?

8) Are senior managers reviewed? If reviews occur, we would like to know how often and whether salary increases are directly linked to the review.

On March 7, 2002 the Group met with Senior Vice President Mullinix, Senior Management Compensation and Benefits Director Susan Mathews, and Associate Vice President Judith Boyette. Senior Vice President Mullinix’s office is responsible for establishing salaries for all members of the SMG. At this meeting we were provided with the following materials in response to our request of February 12:

1) Compensation histories for the President, all senior vice presidents, all chancellors, all EVCs, and all Deans-Engineering going back to 1991

2) Salaries for 2000-01 and 2001-02 for all members of the Senior Management Group on all campuses and in the Office of the President

3) Salary ranges for Senior Management Group Grades A through E

4) A report to the Regents’ Committee on Finance on recommended salary increases for 2001-02

5) A set of four Administrative Compensation Survey Special Study Reports from the College and University Professional Association for Human Resources that give data on salaries for management positions for a group of 20 public and private universities, the subgroup of 10 public universities, the subgroup of 10 private universities, and the Comparison Eight universities. These reports give mean, median,
lowest, highest salaries along with 20th, 25th, 40th, 60th, 75th, and 80th percentile salaries.

6) Another set of four Administrative Compensation Survey Special Study Reports from the College and University Professional Association for Human Resources that give, by management position, the individual salaries for all occupants of top management positions for the same groups described in 5).

7) A list of the 26 retired participants in the UC 415(m) Restoration Plan, 13 of whom are former senior managers.

A single copy of all materials was received at this meeting. These were delivered to Maria Bertero-Barceló, who had them copied and sent a copy to each member of the Group. In addition there were discussions dealing primarily with reviews of SMG members, the mechanism for requesting/granting pay increases, and the nature of perquisites provided to some members of the SMG.

During lunch of the March 20, 2002 Academic Council Meeting, the Group held a short meeting to discuss the materials that we had received and our interpretation of those materials. We agreed to a second phone meeting, which took place on April 17, 2002. David Dowall and David Krogh were unable to participate in that meeting.

Salary Comparisons

Based on our analysis of the data provided, we believe that we can now answer the questions posed in the charge to the Group. The first task in the charge was to determine how the benchmarks used to set the administrators’ increases compare to the Comparison Eight benchmark used in connection with faculty salaries. The benchmark used in establishing SMG salaries is the Full Comparison Group (FCG) of universities. That group of 26 universities, 12 private and 14 public, includes the entire Comparison Eight group of universities that is used to establish faculty salaries. The Regents have established that the average compensation for chancellors should be the mean of the FCG comparators and CPEC has endorsed that methodology. A comparison of UC average salaries for chancellors, EVCs, and Deans – Engineering with those at the FCG and Comparison Eight Universities is given in Table 1. This table clearly shows that in these three job classifications, UC is lagging far behind the comparators. The proposed raises of 15.5% for the EVCs and 11.8% for Deans – Engineering would leave the EVCs 0.7% behind the FCG and the Deans – Engineering 1.5% ahead of the FCG. Note that even larger salary increases than those requested in November would be justified if the methodology for establishing salaries in the SMG were based on the Comparison Eight rather than the FCG.
It is noteworthy that Table 1 indicates that the average salaries of UC Chancellors, who have accepted a 2% salary increase, lag the FCG by 26% and the comparison eight by 33%. These lags are substantially greater than those of either the EVC’s or Deans -- Engineering. Within the UC system, the current average salaries of EVC’s and Deans -- Engineering are below the Chancellor’s salary by 30.1% and 45.1% respectively, whereas within the FCG these salary differentials are 41.5% and 66.7%. If the salary increases approved by the Regents for EVC’s and Deans - - Engineering are implemented, then the salary differentials between EVC’s/Deans -- Engineering and Chancellors within UC will be reduced to 12.8% and 29.8% respectively. Documentation we have received from UCOP describes this as a “compression” effect, and the data indicates that UC is already compressed at the top relative to either the FCG or the Comparison Eight. The data further indicate that this compression would become far more accentuated relative to either comparison group if the proposed salary increases were implemented at this time.

Recent historical trends indicate that within UC the degree of salary compression at the top has varied significantly. During the period 1997-98 to 2000-01 the average salary of 7 EVCs (UCI and UCSF excluded) increased by 25.4% and the average salary of 8 Deans -- Engineering increased by 18.9%. During this same period, Chancellors salaries rose by 31.9% (UCSF excluded), indicating that decompression occurred at the top levels within UC during this period. However, even at the end of this decompression, the top-level salaries remained substantially compressed relative to the FCG as indicated above (30.1% UC versus 41.5% FCG for EVCs versus Chancellors and 45.1% versus 66.7% for Deans-Engineering versus Chancellors). During this same 1997-98 to 2000-01 period average UC faculty salaries increased by 16.3%. The faculty salary increase may be somewhat low due to substantial hiring that probably brought in a lot of Assistant Professors.

Table 1. Comparison of average salaries of senior managers at UC, the Full Comparison Group, and the Comparison Eight for 2001-02

<table>
<thead>
<tr>
<th>Job</th>
<th>UC</th>
<th>FCG</th>
<th>Comparison Eight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chancellor</td>
<td>$280,610</td>
<td>$354,730</td>
<td>$373,164</td>
</tr>
<tr>
<td>Executive Vice Chancellor</td>
<td>$215,370</td>
<td>$250,565</td>
<td>$271,522</td>
</tr>
<tr>
<td>Dean -- Engineering</td>
<td>$193,342</td>
<td>$212,812</td>
<td>$231,375</td>
</tr>
</tbody>
</table>
There has been a concern that the salaries of UC administrators have gone up much faster than have the salaries of the faculty. According to the CPEC data, between 1993-94 and 2000-01, the average UC chancellor’s salary rose by 49.7%. According to the Mercer Report, during that period the average chancellor’s salary for the FCG and the Comparison Eight rose 84% and 96% respectively. During the same period, CPEC data show that the average UC professor’s salary increased by 46.0%, while the average Comparison Eight professor’s salary increased by 35.1%. It should be noted that almost all of the increase in UC chancellor’s salaries occurred after 1996-97, while the increase for faculty has been more uniform. Thus, over the period from 1996-97 to 2000-01, chancellor’s salaries have gone up 50.8% while faculty salaries have gone up by 24.5%.

Basis for Granting Salary Increases to Senior Managers at UC

The second task in the charge to the Group was to determine the degree to which salary increases for the administrators have been tied to measures of individual performance, as opposed to membership in an administrative category. We discussed this with Senior Vice President Mullinix. Most senior managers are subject to some form of review. In some cases those reviews are annual, in other cases every five years. Decisions on whether to continue a person in a particular position are based on these reviews but it is quite clear that SMG salaries are not performance-based. The philosophy that underlies this is clear in the UCOP document “Summary of UC’s 2001-2002 Compensation for Senior Management,” which we received from Senior Vice President Darling. The following paragraph is excerpted from that document starting at the bottom of the second page:

Salary Setting for Systemwide Senior Managers

The compensation of senior systemwide officials should reflect their key roles in determining policy and strategic direction for the entire institution. One of the principles of the University’s compensation program for senior management, endorsed by CPEC, holds that internal relationships and alignment should exist between the compensation for chancellors and senior administrators in the Office of the President since the breadth and depth of responsibilities are considered equivalent.

Therefore, as the Chancellors’ salaries are placed within one broad grade range, so too are the salaries of the three Senior Vice Presidents in the same range. As agreed with CPEC, the salaries for the Senior Vice Presidents are intended to be between those of the larger campuses (Berkeley and Los Angeles) and the mid-sized campuses (Davis, Irvine, San Diego, and Santa Barbara). Salaries for Vice Presidents are intended to be between those of the mid-sized campuses and the smaller campuses (Riverside and Santa Cruz, with Merced added below).
The data we have received show that actual salaries conform to this policy. Thus, there is no doubt that, at least at the highest levels, SMG salaries are based primarily on membership in administrative categories.

Although we are not in total agreement with regards to the detailed methodology that should be applied in establishing salaries of senior managers, the compensation work group does concur on some general principles that should be applied. These appear to differ to some degree from those that our study indicates to be current practice. There is general agreement that merit should be an integral part of the decision making process. Some feel that this may be effectively reflected in annual or otherwise periodic reviews and decisions to retain senior managers in their positions. Some added attention to such reviews along with clarification that they are linked to salary considerations might be sufficient, or at least a good step towards improving the present practice. Others feel that more extensive merit review processes should be implemented. These might include, for example, the use of an ad hoc review committee of faculty and/or other administrative personnel. A more extensive merit review might also include consideration of outside offers and external letters in determining appropriate salary increases. In general, several members of the work group felt that salary review for senior managers should include both the types of comparative data presently used and a merit component that could be more similar to faculty review process than is presently the case while acknowledging that some differences would be prudent.

Conclusions

The decision of the Academic Council to undertake this study of SMG compensation was precipitated by the UCOP request to the Regents for large salary increases for a relatively small group of senior managers including, as groups, the EVCs and the Deans - Engineering. As noted above, the amount of the increases granted is warranted when the sole criterion for judgment is comparison of UC administrators’ salaries with the salaries of comparable officers at comparable institutions although they would lead to severe compression of salaries relative to Chancellor salary levels. The data clearly show that the Chancellors salaries lag both the FCG and Comparison Eight by substantially greater margins than either the EVC’s or Deans-Engineering. Whether administrative salary increases should be granted solely because a given officer is a member of an administrative category is an open question in the Group’s view, as noted above.

Beyond these two issues, there is a third that the Group believes is of some importance. It is the issue of timing. We conclude that granting raises such as these in the midst of a financial crisis is inappropriate. Administrators should not be granted large salary increases at a time when faculty are receiving increases that are small to non-existent. We believe that any catch-up for administrators should have been postponed until the crisis had passed and other UC employees were once again being granted appropriate salary increases.
Dear Jack:

I enclose a copy of the report of the Senate Task Force on Administrative Compensation. The recommendations of the report have been unanimously endorsed by the Academic Counsel with one exception. By a vote of 9 to 3, the Council rejects the recommendation discussed on page 4 of the report that deans and vice chancellor salaries be protected by a floor based on an executive program salary. The Council majority believes that deans and vice chancellor salaries should be exclusively based on the "associate dean model" that is described in the report as basing compensation on faculty salary plus summer ninths and an administrative stipend.

The task force report represents a thoughtful effort by a group of Senate leaders who are deeply concerned about maintaining a high quality administration with compensation appropriately connected to the faculty from which we believe academic administrators should be recruited. I hope that you will seriously consider the task force recommendations in developing compensation policies. I would also appreciate your distributing this report to the members of the Board of Regents.

Sincerely,

Daniel L. Simmons

c: Professor Goldberg-Ambrose
Academic Council
January 13, 1995

Professor Daniel Simmons  
Chair, Academic Council  
Academic Senate  
300 Lakeside Drive  
22nd Floor  
Oakland, CA 94612

Dear Dan:

I am pleased to transmit to you the Report of the Task Force on Administrative Compensation, which your predecessor, Arnold Binder, commissioned last year. Although signatures of individual members do not appear on the Report for reasons of time and distance, I have communicated with each member except Professor Rosenberg (who is out of the country) and secured her or his agreement to the contents of the Report. As you know, I have also presented the Report to the Academic Council at its December meeting.

The Task Force attempted to establish rationalizing principles for policies concerned with compensation of high level academic and non-academic administrators at the University of California. A number of beneficial changes have been made in those policies over the past two years; but the Task Force members believe that some further changes are called for and that a reconceptualization of the rationale for administrative compensation can assist in effecting those changes. I trust that this Report will assist you and the Council in your efforts to advance the perspective and concerns of Senate faculty in discussions of administrative compensation.

Sincerely,

Carole Goldberg-Ambrose, Chair  
Academic Council Task Force on Administrative Compensation
REPORT OF THE ACADEMIC COUNCIL TASK FORCE ON
ADMINISTRATIVE COMPENSATION

INTRODUCTION

Under Standing Orders of the Regents, the Academic Senate is to be consulted about the University’s budget and other aspects of administration affecting the academic program. Administrative compensation falls within this realm of Senate interest because compensation policies affect institutional quality, incentives, and morale. In view of recent reductions in state funding for the University, dramatic increases in student fees, and cuts in real faculty compensation, Senate concern about administrative compensation has grown. These developments have engendered greater public scrutiny of administrative compensation schemes and considerable dismay (among state lawmakers and faculty alike) over certain University policies and practices that have generously compensated high level administrators.

To address problems of faculty morale, public confidence, and sound university functioning connected with administrative compensation, Academic Council Chair Arnold Binder (1993-94) appointed this Task Force in January, 1994. Our task was to conduct appropriate investigations and to recommend to the Council a set of positions that the Senate could adopt and advance regarding administrative compensation.

The Task Force met on five different occasions and reviewed considerable background material, including reports commissioned by the legislature, data generated by the University, scholarly and journalistic commentary on the subject, and relevant Senate and University documents. We also met with President Peltason, Provost Massey, and Vice President Kennedy to ascertain their views about administrative compensation. This report is the product of our inquiries and of considerable deliberation over the complex and knotty issues surrounding compensation of high level administrators. Our foremost objective was to identify sound principles and values to guide assessments of administrative compensation, being mindful of the overriding need to secure the best people.

We must point out that our report appears against a background of considerable change in the system of administrative compensation at the University of California. Many benefits previously available to top administrators were eliminated by the Regents in December, 1992, following thorough outside scrutiny of University policies and practices. In April, 1994 President Peltason agreed to discontinue the previous practice of recommending extended administrative leaves with pay for senior administrators. Finally,
in November, 1994 President Peltason appointed a Management Compensation Advisory Group, to evaluate existing compensation structures and policies that apply to the University’s senior management positions, and to recommend a new or revised structure that will simplify staff personnel programs. Among the issues this new Advisory Group has been asked to address is whether to continue a separate Executive Program.

The members of the Task Force believe that the Executive Program should no longer exist. As a separate management program, it serves as a convenient target for the media and legislature. Faculty find the name offensive, because it suggests that they work for the administrators, when the reality is and should be otherwise. Far preferable to a separate Executive Program is a single management program with many steps. Thus, while this report assumes the existence of an Executive Program, that assumption does not carry with it approval of the Program.

This report begins with a discussion of issues of greatest concern related to administrative compensation, and concludes with a set of recommendations.

**ISSUES OF GREATEST CONCERN**

1) **The relationship between the level of compensation for faculty and the level of compensation for high level administrators with academic appointments [academic administrators] and without [non-academic administrators], including all benefits and perquisites**

a) **Academic administrators**

Academic administrators form a distinctive group with the University. Traditionally, faculty experience and a tenured faculty appointment have been deemed essential for such positions, tenure forms part of their overall compensation, and return to the ranks (and salary) of the professorate have been expected following administrative service. A salary structure designed to produce close identification of top academic administrators with the faculty fosters collaborative relationships between administrators and those who are most directly involved with academic programs. It also avoids creation of a permanent class of professional academic administrators, reluctant to return to their faculty salaries and life-style. Furthermore, as Derek Bok points out in *The Cost of Talent* (1993), a university president may be less effective in leading the faculty (particularly in difficult times) if great disparity between presidential and faculty salaries diminishes faculty identification with and loyalty to the president. As Bok writes (p. 158),

> To accomplish ... acts of leadership [in times of crisis or when creative initiatives are required], a president
must enjoy a high level of trust and credibility within the faculty and not appear as a distant administrative figure out of touch with the intellectual life of the institution. It is difficult enough to maintain such trust in the best of circumstances. Receiving a huge salary is likely to make the task even harder.

Admittedly, performing the job of a high level academic administrator in a large, multipurpose public research university requires some skills distinct from those possessed by most academics. Major fundraising, buffering the institution from improper political interference, promoting the value of the institution with the public, managing large-scale enterprises such as medical centers and extension programs, and achieving overall efficiencies in operation are expected of top academic administrators, in addition to their more purely academic responsibilities. Some recognition of these demands is appropriate in pay structure.

Most important, however, is sustaining the rationale for a connection between academic administrators’ and faculty salaries. To give content to that connection, we turned first to the salary of the President of the University, as that normally establishes the upper bound for academic administrative salaries. After examining data from other universities and from the history of our own, we concluded that the appropriate scheme for Presidential compensation would limit the President’s salary to 2 1/2 times the average salary of full professors, annualized, or approximately $250,000 given current figures. This would place the ratio of President’s salary to full professors’ below that of many major private single-campus research universities (where the ratio is often at three or four to one) and even below that of some liberal arts colleges.¹ Our recommended ratio would, however, be consistent with experience at the University of California, where the ratio has ranged from approximately 2 times during the mid-70’s to 3 times or more during the 1980’s.

For Chancellors, the members of the Task Force concluded that existing salaries may actually be too low, and certainly are too compressed, with insufficient room for recognition of merit, distinguished performance, and the varying demands placed on Chancellors. Under the prevailing system, the President and Regents lack sufficient discretion to make such distinctions, and we advocate relaxing some of these constraints. To achieve that end, we recommend that average compensation for Chancellors (excluding the one health sciences campus) be aimed at no more than twice the average salary of full professors, annualized, or

¹ For purposes of this discussion, salary includes fringe benefits including deferred compensation, but not presidential housing or expenses.
approximately $200,000 given current figures. An unusually high salary for an individual Chancellor, that would have the effect of raising the average of the group above the 2x figure, should be allowable only for purposes of recognizing extraordinary demands and accomplishment.

The members of the Task Force realize that in the past, the Academic Council has endorsed the use of groups of comparison institutions as the basis for establishing chancellorial salaries. However, comparisons with other public and private universities' salaries are problematic because these salaries are not always negotiated at arms length (close relationships often exist between chief administrators and governing bodies), and because we do not believe that comparative compensation is or should be the dominant consideration when individuals contemplate high level academic administrative positions in public universities. The number of salaries figured into calculations is much smaller with chief officers than with faculty, and the bases for comparison are much more complex and elusive than for faculty. It is noteworthy that even after elimination of many special benefits instituted during the 1980's, President Peltason has been able to attract an outstanding group of new senior leaders, including Walter Massey, Wayne Kennedy, Laural Wilkening, Joe Martin, Henry Yang, and Larry Vanderhoeof.

Compensation for academic administrators at the level of Vice Chancellor and Dean presents distinct issues. Almost all such individuals are included in the Executive Program, which means that their salaries are set independent of their faculty salaries. This method permits greater consistency in compensation within any given administrative rank. In contrast, at the Associate Dean level and below, academic administrators typically receive their faculty salaries plus summer ninths and a relatively small administrative stipend. Thus, faculty at higher steps may experience a salary decrease in moving from a faculty position with summer research support or from an Associate Dean position to a Deanship or Vice Chancellor post. An important question is whether the Executive Program model or the Associate Dean model (faculty salary plus ninths plus stipend) is more appropriate for Vice Chancellors and Deans.

The members of the Task Force lean toward greater linkage between faculty salaries and salaries for Vice Chancellors and Deans, in order to keep our most distinguished faculty from shunning administrative service. An appropriate way to achieve this end would be to allow Deans and Vice Chancellors to be paid the larger of the established Executive Program salary or their salary computed on the Associate Dean model. As the Management

2 In computing the salary component of this model, only the state-funded portion of the salary should be considered.
Compensation Advisory Group contemplates the future of the Executive Program, we recommend that they seriously consider including Deans and Vice Chancellors in the Associate Dean model, perhaps with a floor salary specified. Obstacles to implementing such a system, such as the inability to include summer ninths for purposes of retirement benefits under current rules of UCRS, should not be insuperable if the administration is creative.

A number of years ago a policy was initiated whereby every sitting Chancellor would be automatically accorded a faculty position at the level of Professor Step VIII. The members of the Task Force find that such a policy compromises the integrity of the academic personnel process, and should have no place in the university. Our understanding is that the practice has been abandoned by President Peltason, and we support his action. Nonetheless, if we expect that academic administrators will eventually return to faculty status, then it behooves us to concern ourselves with administrators’ loss of progress along the faculty salary scale when they devote their energies to serving the university rather than to their own research. The members of the Task Force do not believe that academic administrators should be required to "stand still" on the salary scale.

A means of addressing this problem is suggested by the system currently operating for deans at Berkeley and Davis. At these campuses, the respective academic personnel committees (CAP’s) apply a policy of affording deans one step advancement for a five-year term of meritorious service. The CAP’s have discretion to apply the same principle to longer terms of service. If the dean is at Step V at the commencement of the deanship, the CAP would consider advancement to Step VI if the administrative service had a significant academic component (such as conceiving a new academic program). In sum, our recommendation is to retain some role for local CAP’s, but to tailor the academic personnel review to take account of the contributions of academic administrators.

Benefits and perquisites for academic administrators should be no greater than those for faculty, unless demands of the position clearly demonstrate a special need for such benefits. For example, chancellorial and presidential residences reflect the need for a gracious site for University functions. An automobile allowance may be sensible where University-related driving is frequently required. The norm, however, should be similarity of benefits, and recent changes in compensation policy have brought the University much closer to this goal.

Severance pay for academic administrators who are members of the Executive Program deserves special mention. In March 1990, the Regents approved a plan that provided variable severance pay benefits depending upon the executives’ level and salary. Top academic administrators earn credit at 3-5 percent of their salaries. In addition, interest accrues at the rate of interest
equal to the return for each quarter on UC's Short-Term Investment Pool. This plan replace previous deferred compensation programs, which were disallowed by the nondiscrimination provisions of the Tax Reform Act of 1986.

Severance pay is sometimes justified on the ground that top administrators lack security of employment in their positions. Members of the Executive Program, for example, are entitled to only 60 days notice (or pay) before termination. Academic administrators, however, retain security of employment as tenured faculty even after their administrative positions are terminated; and return to a faculty salary is a frequent feature of academic administrative careers. Moreover, we note that many Senate faculty, notably those who are In-residence, lack security of employment as well, but they do not receive extra compensation in the form of severance pay. Thus, we recommend that severance pay be eliminated for academic administrators with tenure. To the extent this pay is designed to compensate academic administrators for loss of momentum in their research and teaching, we recommend that policies be instituted to facilitate research leave and transitional research and teaching support for academic administrators returning to their purely faculty status.

b) Non-academic administrators.

Compensation for nonacademic administrators cannot and should not be so readily linked with faculty compensation. Nonacademics do not enjoy the benefits of tenure, are not expected to return to the ranks of the faculty, are expected in some instances to engage in entrepreneurial activity, and (in many cases) function in a job market that extends beyond the university. Sometimes such administrators are able to save the institution sums of money far in excess of their salaries.

There is precedent for nonacademics (notably, heads of athletics programs) earning more than the chief officer of the university. As a general matter, however, top nonacademic administrators should have base salaries appropriately scaled to salaries of academic administrators at comparable levels rather than to salaries for comparable jobs in the private sector. These comparisons should take account of severance pay, especially if such pay is eliminated for academic administrators.

Beyond this scaling, how should nonacademic administrators' salaries be set? This question presents difficulties because the university does not have available profits (as a function of revenues over expenses) by which to measure the performance of administrative staff. Nonetheless, the university must have administrators handling financial operations, personnel, and the like, who are as competent and efficient as managers in the private sector. Thus, the university must develop criteria and performance goals by which administrative compensation, and merit pay, can be
assessed. Performance-based bonuses may be appropriate for nonacademic administrators charged with entrepreneurial activities where increased profitability is available and desirable as a measure of management performance. But such systems must be carefully monitored by groups that include faculty, to insure that financial incentives do not begin to warp the institution’s academic mission. (Indeed, at least one member of the Task Force is concerned that such distortion will be inevitable no matter how much faculty monitoring occurs, and therefore opposes the concept of performance based bonuses altogether.) To enhance faculty confidence in the university’s compensation structure, the President’s office should address the faculty perception that the Executive Program has become too large, and that some individuals have been assigned high compensation within that program based on favor with top administrators rather than on the difficulty and responsibility of their positions. The newly formed Management Compensation Advisory Group is an obvious venue for consideration of these problems.

2) Senate involvement in establishment of policies for evaluation of top administrators.

Current policy is that "performance of each Executive Program member shall be appraised annually by the member’s immediate superior." One of the purposes of this appraisal is "aiding in the determination of merit increases." Without asserting an interest in the determination of each merit increase for each top administrator, the members of the Task Force are concerned that the Senate have a voice in the development of broad policies governing evaluation of high level administrators. Important questions, such as the relationship between decanal or program reviews and compensation for the relevant administrators, warrant Senate comment. UCAP is currently examining the decanal review procedures on all the campuses. The Chair of the Academic Council is working with the President’s office to consider possible modifications to the chancellorial review process. Currently, these decanal and chancellorial reviews have no overt connection with compensation. As the Senate reconsiders these processes, attention should be given to the appropriate bearing of such reviews on administrative compensation.

The Task Force also recommends initiation of five-year reviews for vice presidents of the University, just as there are five-year reviews of vice chancellors on some campuses. The design of such a review process will require appropriate Senate consultation. One system worth considering is deployment of a review committee consisting of former Academic Council chairs and current chancellors. Five year reviews of vice chancellors should be instituted by campuses that do not yet conduct such appraisals. The Senate should be involved in designing those review processes as well.
Finally, the Senate has an interest in procedures for consultation regarding top administrators' compensation. Where administrators and their representatives work regularly with Senate committees, the views of the committee chairs should be sought on a confidential basis. This process could be undertaken at the systemwide level through an annual meeting of the President with relevant leaders of the Senate. At such meetings, assessments could be provided informally but confidentially. More generally, as discussions proceed regarding possible elimination of a separate Executive Program, the Senate should be consulted about the development of new systems for performance evaluation.

3) The balance between administrative compensation at the systemwide level and at the campus level

Compensation of top administrators in the President's office is less visible and less easily monitored than compensation at the campus level, where the individuals and their functions are better known. Faculty participation in oversight and evaluation (as with campus-based vice chancellors) is negligible. Although it is appropriate that the President of the University of California be compensated at a level higher than the chancellors, there is a perception among faculty that compensation for administrators in the President's office has been elevated by the President's salary, without any rational justification. In particular, our concern is that administrators in the President's office are not connected with the campus structures (of deans, for example) that set some constraining benchmarks for nonacademic salaries, and that systemwide responsibilities of these administrators are not as significant or complex as those of administrators charged with actually delivering academic programs.

What is needed is a comparability study, which seeks to measure functions and compensation for systemwide administrators in relation to those of a) most similar campus-based administrators (Berkeley being the best comparison, because of the overlap in the geographical job market) and b) other similar administrators in competing institutions. Given that our goal is to attract the best people, this study should consider whether the salaries we offer are necessary for that purpose. President Peltason has offered to undertake such a study, and we ask that this study be conducted as soon as possible. If the Management Compensation Advisory Group does not assume the responsibility, some other body should be charged.
SUMMARY OF RECOMMENDATIONS

A) The separate Executive Program for top administrators should be eliminated.

B) Salaries for top academic administrators should be connected with average annualized salaries of full professors. At the level of the President, a ratio of 2 1/2 to one should be the upper limit. The average of chancellorial salaries should be no more than twice the average annualized salary level for full professors. Furthermore, the President and Regents should have greater flexibility in establishing chancellorial salaries, to eliminate excessive compression and to facilitate recognition of achievements and demands. For vice chancellors and deans, the compensation model should be revised to enable faculty to be paid on the basis of faculty salary plus summer compensation plus a stipend, if that calculation would yield a figure higher than the one specified by the Executive Program.

C) Academic administrators should not be required to "stand still" on the faculty salary scale during their period of intensive university service. CAP processes on individual campuses should be revised to allow at least a single step increase for a normal five-year term of meritorious administrative service. Under appropriate conditions, special consideration should be given to academic administrative service when such an administrator is poised to move from Step V to Step VI.

D) Benefits and perquisites for academic administrators should be no greater than those for faculty, unless demands of the position clearly demonstrate a special need for such benefits. No such need exists in the case of severance pay for academic administrators with tenure, and such pay should be eliminated for those individuals. Rather than severance pay, academic administrators should be entitled to special support for research and teaching that will facilitate their return to faculty ranks once their period of administrative service has ended.

E) Top nonacademic administrators should ordinarily have base salaries appropriately scaled to salaries of academic administrators at comparable levels rather than to salaries for comparable jobs in the private sector. The university should develop criteria and performance goals by which administrative compensation, and merit pay, can be assessed. Performance based bonuses may be appropriate for nonacademic administrators charged
with entrepreneurial activities where increased profitability is available and desirable as a measure of management performance, subject to monitoring by groups that include Senate representatives.

F) The Senate should have a voice in the development and reassessment of broad policies governing evaluation of high level administrators, including such questions as the relationship between decanal or program reviews and compensation. Five-year reviews of systemwide vice presidents and vice chancellors should be instituted.

G) The President should consult annually with the leadership of the Senate regarding the performance of top systemwide administrators who work regularly with systemwide Senate committees.

H) A comparability study should be undertaken as soon as possible, which seeks to measure functions and compensation for systemwide nonacademic administrators with those of 1) most similar campus-based administrators and 2) other similar administrators in competing institutions.

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3 Professor Rosenberg participated in the discussions and deliberations of the Task Force during 1993-94, but has been out of the country during 1994-95.