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

February 23, 2006

ROBERT C. DYNES
PRESIDENT

Re: Compensation for the Senior Management Group

Dear Bob:

At its February 22, 2006 meeting, the Academic Council endorsed a set of recommendations as put forth in the enclosed letter, dated February 9, 2006, from University Committee on Planning and Budget (UCPB) and relating to how to proceed with a review of the Regents' proposed job slotting structure for the UC Senior Management Group (SMG).

The Academic Council also endorsed the enclosed February 13, 2006 letter of the University Committee on Faculty Welfare, and is forwarding it as additional comment from the Council on the need for caution in proceeding with the slotting plan for senior management compensation.

I wish to draw particular attention to the language in the UPCB letter, requesting that "through the appropriate channels and procedures, the President be asked to work with the Regents to remove further action on the 'slotting' proposal from the March Regents meeting so that the proposal can be refined before being presented to the Regents for action."

Thank you very much for your consideration of these recommendations and the accompanying request to bring them before the Regents.

Sincerely,

Clifford Brunk, Chair
Academic Council

Copy: Academic Council
María Bertero-Barceló, Executive Director
Encl.: 2



UNIVERSITY COMMITTEE ON PLANNING AND BUDGET
Stan Glantz, Chair
glantz@medicine.ucsf.edu

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February 9, 2006

**CLIFFORD BRUNK, CHAIR
ACADEMIC COUNCIL**

Re: Compensation for the Senior Management Group (SMG)

Dear Cliff:

The *Academic Senate Resolution on Proper Compensation Priorities for the University of California*, which was presented to the Board of Regents last November, states in part that:

Any planned compensation structures for senior management should be subject to full review by the Academic Senate and be instituted in a measured fashion, with transparency and accountability, and include appropriate consideration of performance (analogous to the Committee on Academic Personnel for faculty).

We appreciate the opportunity to comment on the job slotting for 284 high level university executives that was provisionally approved by the Regents on January 19, 2006 pending Senate comment. UCPB's recommendations are:

- Postpone implementation of increases in executive pay based on the Mercer Study until a slotting scheme is developed that is clearly consistent with the University of California's status as a public university.
- Before completing the "slotting" process, revise the reported salaries for individual administrators in a way that completely reflects all elements in their contractual pay and incentives that are not attributable to the benefits that are otherwise available to UC faculty or staff .
- Require that UCOP convey to the Senate the full table of salaries affected by RE-61, including the compensation (deferred compensation, special allowances, and any other forms of compensation not available to all other University employees) prior to RE-61, the compensation after RE-61, and the percentage increases actually or anticipated to be received by each individual.
- Use established Senate procedures to review the job slotting plan and compensation packages at both Systemwide and Divisional levels before the Senate forwards faculty comments to the Regents for final action.

These recommendations are based on the following principles:

1. The Mercer methodology for determining salary ranges is flawed and needs to be revised before recommended for acceptance by the Regents

Mercer's system of "grades" and "ranges" compares UC administrative titles with positions in higher education (both public and private) and in private industry. The methodology should have also included among UC's comparison groups certain non-academic job categories; e.g, the managers of other public agencies in California state and federal government. Furthermore, the rationale that UC needs to compete in all areas with private universities and industries for management positions has not been demonstrated, nor that the University's quality will be measurably enhanced if it pays at private sector levels incumbent managers whose salaries are presently consistent with public sector norms. Finally, there appear to be inequities in slotting for the same job title based on the campus which raises questions of comparability within the UC system.

2. There needs to be a more accurate assessment of what the actual remuneration for senior management is before any adjustments are made based on a corrected salary scale.

The continuing disclosure of previously undisclosed forms of pay and any other contractual entitlements of individual managers has seriously undermined the credibility of University leadership (both UCOP and the Regents) within the University and with the general public and public policy makers. For example, there appear to be several hundred managers who are receiving deferred compensation equal to 3-5% of their nominal salaries, which is not reflected in the Mercer tables. In view of this we assume there are other individual arrangements to augment the base pay of UC managers at both the systemwide and campus levels these must be fully disclosed and calculated in the slotting process before any individual salaries are raised. The outcome of the several audits and other investigations that are now underway related to executive compensation and broader issues of transparency should be used as part of developing a more appropriate "slotting" of executive positions.

3. The Senate has not been presented with evidence that increases in executive compensation well beyond those received by all other employees should be the highest priority use for limited resources.

The Senate is on record as putting graduate student support and faculty and staff employee salaries at the top of the priority list. We have as yet no reason to change our mind. We note that the total cost of bringing all slotted individuals in the current scheme up to the midpoint of their pay grade (as currently defined by Mercer) is \$8.4 million (excluding phase 2 raises in March). Furthermore, selected incumbent executives are already owed an additional \$22 million in deferred compensation beyond what was previously disclosed. This disclosure reduces the urgency of paying individuals in this program an additional \$8.4 million. Put into perspective, this \$8.4 million could nearly eliminate nonresident tuition for all first year academic doctoral graduate students, and help restore the University of California's competitiveness for attracting the best graduate students.

4. On RE-61 consultation with the Academic Senate was not conducted in a timely manner nor with appropriate accompanying information .

UCPB requests that this item be placed on the February Academic Council agenda as an action item. We ask that these recommendations be forwarded to the Regents through the President, after endorsement by the Academic Council.

Assuming passage, we request that through the appropriate channels and procedures, the President be asked to work with the Regents to remove further action on the “slotting” proposal from the March Regents meeting so that the proposal can be refined before being presented to the Regents for action.

We recognize that undertaking this process will delay final action by the Regents, but believe strongly that such a careful review is crucial for rebuilding confidence both within the University and with the public. There is time to do this properly: even accepting the Mercer methodology, of the slotted 284 individuals, 234 are above the minimums defined in the proposed Mercer ranges (83 are above the mean and 12 are above the top of the proposed ranges). This important message should be transmitted, through appropriate channels, to the Regents.

We further request that the result of the Academic Council action be placed on the Senate website and widely disseminated to the faculty, staff, and public.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanton A. Glantz". The signature is fluid and cursive, with the first name being the most prominent.

Stanton A. Glantz
Chair, UCPB

cc: UCPB Members
Raymond Russell, UCFW Chair
Maria Bertero-Barcelo, Academic Senate Executive Director



UNIVERSITY COMMITTEE ON FACULTY WELFARE (UCFW)
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February 13, 2006

**CLIFF BRUNK, CHAIR
ACADEMIC COUNCIL**

RE: System for Slotting of Senior Managers' Pay Provisionally Adopted by The Regents

Dear Cliff,

At the February 10, 2006 meeting of the University Committee on Faculty Welfare (UCFW), the Committee discussed the system for slotting the pay of senior managers that was provisionally adopted by The Regents in January, and the principles and recommendations of the University Committee on Planning and Budget (UCPB) on compensation for senior management, dated February 9, 2006. UCFW concurs with the UCPB principles and recommendations, and would like to make the following additional comments.

The compensation of senior managers of the University of California is related in numerous ways to the compensation of faculty. We expect Deans, Chancellors, and Presidents to come out of professorial ranks. This means that their compensation needs to be compared to that of other professors, as well as to occupants of similar positions in other universities. As professors, many senior managers earn sabbatical leave. This raises the issue for many faculty of how the sabbatical compensation paid to senior managers compares to that paid to professors. More generally, if compensation offered to senior managers encourages a public perception that UC employees are overpaid, that seriously undermines the University's ability to obtain the state funding needed to fulfill The Regents' pledge to bring the salaries of UC employees up to market levels within the next ten years.

For such reasons, the University Committee on Faculty Welfare believes that it should be consulted before changes are made in the compensation of senior managers, and so should other appropriate bodies of the Academic Senate. That the members of UCFW learned about the new compensation system for senior managers from newspaper accounts and agenda reports from Senate leaders long before the matter was referred to us for comment by the Office of the President was a serious departure from the University's tradition of shared governance.

Turning to specific features of the system for slotting senior managers' pay that was presented to The Regents, UCFW believes that any comparisons between the compensation of UC senior

managers and those at other institutions need to take into account all forms of compensation for which the occupant of a given position is eligible, including sabbatical leave, severance pay, and any other forms of paid leave.

UCFW also believes that, insofar as the sample of administrators against which the salaries of UC senior managers are compared needs to be supplemented with data on managers working outside academia, that supplementary sample should include administrators from the public sector in addition to employees of private firms. The research universities to which UC compares itself are divided equally between public and private institutions. The sample of administrators to which UC senior managers are compared should reflect this same balance. UCFW agrees that limiting the supplementary sample of managers from outside academia to employees of private businesses was a serious flaw in the methodology used by Mercer Consulting to produce the figures that were shown to The Regents in January.

UCFW's ability to comment on the proposals for senior management compensation that were presented to The Regents in January was significantly hampered by the absence of detailed information about them. For example, no information was provided about how the categories were created. Some of the current categories struck members of UCFW as being excessively broad. Others found this difficult to decide, in the absence of criteria for determining how broad or narrow the categories needed to be.

Members of UCFW also had many questions about how the proposed slots are intended to be used. We note that 14% of the senior managers shown in the table are below the minimum pay shown for their slot. Will that in itself serve as a basis for raising the pay of such managers? As the Academic Council and Academic Assembly advised The Regents in November, UCFW also recommends that "Any planned compensation structures for senior management will be subject to full review by the Academic Senate and be instituted in a measured fashion, with transparency and accountability, and include appropriate consideration of performance (analogous to the Committee on Academic Personnel for faculty)."

The University Committee on Faculty Welfare appreciates this opportunity to make recommendations on a matter of this importance, and hopes that its advice will be helpful not only to the Academic Council, but also to The Regents as they prepare to take these proposals to the next stage.

Sincerely,

A handwritten signature in cursive script that reads "Raymond Russell".

Raymond Russell, Chair
University Committee on Faculty Welfare

Copy: UCFW
Mariá Bertero-Barceló, Executive Director
Stan Glantz, UCPB Chair