UC Total Remuneration: Current Situation and Planning for the Future

Prepared for:
The Board of Regents Meeting of September 22, 2005

September 19, 2005
Ten-Year Total Remuneration Projections
### Current Situation

**Total Population**

<table>
<thead>
<tr>
<th>FINDINGS</th>
<th>IMPLICATIONS</th>
<th>ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>At UC, total remuneration for the average employee is at market, but cash compensation is, on average, significantly below at -15%</td>
<td>Need to address overall compensation strategy for all UC employee groups</td>
<td>Review estimates of ten-year total remuneration positioning</td>
</tr>
<tr>
<td>Additional cash compensation will be needed to offset potential reduction in the value of UC’s benefits to maintain competitiveness</td>
<td>Need to quantify cost of maintaining market competitiveness for total remuneration</td>
<td>Discuss funding sources for compensation increases</td>
</tr>
</tbody>
</table>
Ten-Year Budget Estimates

Overview

**Purpose:**
- Assess the impact of potential changes in benefit values and whether anticipated catch-up salary increases will offset them
- Estimate the additional amount of cash compensation, if any, required to keep UC at market for total remuneration

**Assumptions:**
- A stable population, static internal and external environment, regular pay increases, annual increase in health care costs declining from 12% in 2006 to 7.5% in 2015, and no change in health care or retirement benefit provisions
- Contributions to UCRP by employees and UC and a shift to more market competitive cost sharing for health care benefits
Current Situation:
Total Remuneration Study Findings

Summary: Variance of Current UC Average from Market Median

NOTES: Averages reflect the total remuneration study population only and not UC system-wide figures - study did not include labs or medical centers; individual employees fall significantly above and below the UC averages; totals are not additive due to market median variations and rounding.

Mercer Human Resource Consulting
Ten-Year Total Remuneration Estimates
Changes to Benefits with no Phase-In

2005 Total Remuneration Position – UC Average vis-à-vis Market

- Total Cash Compensation
- Active Health & Welfare
- Retirement & Retiree Medical
- Total Remuneration

Variance of UC Average to Market (%)

Current Total Remuneration Position
Immediate Changes to Benefit Values

NOTE: Full changes to benefit values include an immediate resumption of employee contributions to UCRP and a move to competitive cost sharing for healthcare; individual employees fall well above and below the UC average.

Mercer Human Resource Consulting
University of California
Ten-Year Total Remuneration Estimate
Gradual Phase-In of Benefit Changes and Salary Increases

Estimated Total Remuneration Position over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Cash Compensation</th>
<th>Active Health &amp; Welfare</th>
<th>Retirement &amp; Retiree Medical</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>-15% (-$776M)</td>
<td>10%</td>
<td>0%</td>
<td>63%</td>
</tr>
<tr>
<td>2007</td>
<td>-14% (-$811M)</td>
<td>1%</td>
<td>-1%</td>
<td>62%</td>
</tr>
<tr>
<td>2010</td>
<td>-11% (-$785M)</td>
<td>-8%</td>
<td>0%</td>
<td>40%</td>
</tr>
<tr>
<td>2015</td>
<td>-3% (-$353M) -9%</td>
<td>2%</td>
<td>2%</td>
<td>36%</td>
</tr>
</tbody>
</table>

**NOTE:** Values beneath Total Cash Compensation lags represent additional payroll required to bring payroll to market median.
Ten-Year Total Remuneration Estimate
Total Cost of Cash Compensation Catch-Up

UC’s Projections of Cash Compensation Increases
Cost of Compact and Additional Increases (Employee weighted averages)

NOTE: Salary increase percentages provided by UCOP; total cost based on payroll at Campuses and UCOP as of March, 2005
Ten-Year Total Remuneration Estimate
Total Cost of Cash Catch-Up by Funding Source

NOTE: Percent breakdown of funding sources provided by UCOP and remain constant over time

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University of California
Ten-Year Total Remuneration Estimate

Budget Implications

- Catch-up pay increases will be provided in the same timeframe as reductions in value of benefits are phased in
  - Projected pay increases total $3.1B over the 10 year period.
  - Resulting total remuneration remains near market for most groups

- Additional benefit costs would be incurred with UCRP employer contributions
  - Projected costs are $155M in 2008 increasing to $614M in 2015 and totaling $3.0B over the 10 year period
  - Pay increases will cause further reduction in the funded status of UCRP

- Projected additional costs associated with medical inflation in excess of UC budgeted increases total $603M over the 10 year period
Ten-Year Total Remuneration Estimate
Total State Funding Required over 10 Years

(in millions)

- Cash Compensation for Compact and Additional Increases: $1,340
- Additional Cost for UCRP: $1,287
- Additional Cost for Active and Retiree Medical: $257
- Total Additional State Funded Cost: $2,883

NOTE: Assumptions:
- Stable employee population during entire time period
- Future salary increases were provided by UC and capped at 6%
- Contributions to UCRP were provided by UC
- Additional cost estimates for health benefits assumes budgeted increase is constant year over year
- State funding percentage for additional salary increases and benefits costs is assumed to be 42.5%
Today’s Action

- It is recommended that the Committee on Finance recommends to the Board of Regents the establishment of goals to obtain, prioritize and direct funds to the extent they are available, to increase salaries to achieve market comparability for all groups of employees over the ten year period from 2006-2007 through 2015-2016
Senior Leadership Compensation Strategy
## Current Situation
### Senior Leadership Personnel

<table>
<thead>
<tr>
<th>FINDINGS</th>
<th>IMPLICATIONS</th>
<th>ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Average total remuneration for SMG is at market</td>
<td>▪ UC may have difficulty recruiting and retaining top academic and managerial talent</td>
<td>▪ Develop new compensation philosophy for senior leadership</td>
</tr>
<tr>
<td>▪ Cash compensation is 17% below market (approx. $10M)</td>
<td>▪ New hire pension values are lower than for existing employees</td>
<td>▪ Develop new policy and program to manage senior leadership pay that is:</td>
</tr>
<tr>
<td>▪ Current cash comp approval process for senior positions is ineffective and based on limited information</td>
<td>▪ Need new process to review and adjust base salaries for senior positions</td>
<td>– internally equitable, externally competitive, consistent, and flexible</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– under the continuing purview of the Regents</td>
</tr>
</tbody>
</table>

Mercer Human Resource Consulting
Proposed Philosophy

The quality of our academic, management and staff personnel is essential to maintain the excellence of the University of California and its ability to contribute to the health and vitality of the State of California. Our strategy is to attract and retain the highest quality academic, managerial, and staff talent by offering competitive total remuneration.
### CURRENT ADMINISTRATIVE PROCEDURES

- Salary increases for all 800 employees earning over the Indexed Compensation Level ("ICL" – currently $168,000) are approved one-by-one by the Regents, with limited information.
- Bylaws provide that the ICL is indexed to changes in the consumer price index.

### NEW ADMINISTRATIVE PROCEDURES

- Salaries for top 30 or so positions continue to be approved individually by the Regents.
- Salary increases for most other employees earning over the ICL are made within the Regent-approved salary structure and procedures.
- Regents approve all salary increases that fall outside guidelines they establish.
Adjustment to ICL

- ICL was last adjusted in 2001 to $168k
- Bylaw 12.3.m.3 provides that the ICL be indexed annually based on changes in the consumer price index (CPI) and reported to the Regents
- The CPI increased by 2.8 in 2001, 1.6% in 2002, 2.3% in 2003, and 2.7% in 2004
- Applying these CPI adjustments to the ICL would bring it to a 2005 level of $184k
Salary Structure Overview

- Structures are comprised of *grades*, made up of a group of jobs approximately equal in value as determined by a market pricing/job slotting process.

- Each salary grade has a *salary range spread*, which is the percent increase from the grade’s *minimum* salary to the grade’s *maximum* salary.

- A salary grade’s *midpoint* falls halfway between the range minimum and maximum. Jobs whose market median salaries most closely approximates the midpoint are assigned to that grade.

- The midpoints of a structure’s grades increase by an increment (e.g., 12%), which is called the *midpoint progression*.
Objectives of New Salary Program

Create flexible ranges to accommodate unique hiring needs, a performance management system and variations in:

- experience
- skills
- credentials
- performance

Recognize the unique attributes of jobs, including the following “compensable factors”:

- job size and complexity
- academic reputation of campus or discipline, if applicable
- priority of discipline, if applicable

Focus Regents’ efforts on overall program monitoring, with individual review for highest-level positions and exceptions only.
New Program Overview
Initial Approval Step

Regents approve:
- new salary structure and ranges
- compensable factors to be used to compute projected market medians
- salary grade assignments based on market data and compensable factors
- new salary administration procedures
New Program Overview
Salary Administration - Ongoing Annual Cycle

- Regents approve range adjustments and budget allowances for following year
- Chancellors recommend salary increases, reviewed by Sr. Mgt Advisory Council (“SMAC”) and finalized by President
- President approves salaries above the ICL except designated officers and exceptions
- Regents monitor overall program using reports provided by President on salaries
- Regents approve actions on designated officers and individual exceptions
New Program Overview
Assignment of Responsibility

Salary Structure and Job Slotting

- For all levels, the Regents review and approve the salary structure and all job slotting within the structure

President & Secretary of the Regents

Designated Officers (approximately 30 employees)

Senior Management Group (approximately 260 employees)

All other employees over the ICL (approximately 500 employees)
New Program Overview
Assignment of Responsibility

Salary Actions

- Evaluation and salary actions initiated and approved by Regents
- Salary recommendations made by President
- Individual salary actions approved by Regents
- Salary actions within guidelines approved by President and reported to Regents
- Exceptions to guidelines approved by Regents

- President & Secretary of the Regents
- Designated Officers (approximately 30 employees)
- Senior Management Group (approximately 260 employees)
- All other employees over the ICL (approximately 500 employees)
New Program Overview

Regents Approve Salary Structure, Job Slotting and Individual Salaries for:

- Designated officers (approximately 30 employees)

  INCLUDES:
  - Chancellors (10)
  - SVPs & VPs (10)
  - Lab Directors (3)
  - Medical Center CEOs (5)
  - General Counsel (1)
  - Treasurer (1)

NOTE: General Counsel has dual reporting relationships to the President and the Board of Regents; Treasurer has dual reporting relationships to the Chief Administrative Officer and the Board of Regents.
New Program Overview

Regents Approve Salary Structure, Job Slotting and Salary Exceptions for:

Senior Management Group
(approximately 260 employees)

INCLUDES:

- Executive Vice Chancellors (10)
- Vice Chancellors (45)
- Associate Vice Presidents (10)
- Assistant Vice Presidents (10)
- University Librarians (3)
- Deans (120)
- Provosts (7)
- Executive Vice Provosts (2)
- Vice Provosts (5)
- Associate Provosts (3)
- Managing Directors (5)
- Medical Center Chiefs (30)
- Medical Center Directors (3)
- Medical Center Executive Directors (4)
New Program Overview

Regents Approve Salary Structure, Job Slotting and Salary Exceptions for:

All other employees over the ICL
(approximately 500 employees)

 INCLUDES:

- Department of Energy Contract Employees at the National Labs (approx. 330)
- Employees of the Regents (approx. 10)
- Coaches and Athletic Directors (approx. 2)
- Health Sciences and Clinical Faculty (approx. 100)
- Campus Administrative Employees (approx. 20)
- Ladder Rank Faculty (approx. 50)
New Program Overview
Method for Slotting Jobs into Salary Structure

Conduct market assessment of jobs targeted to relevant labor markets
- Academic (e.g., Deans, Vice Chancellors)
- General Industry (e.g., Human Resources, Information Technology)
- Health Care & Hospitals – including Academic Medical Centers (e.g., medical center employees)

Establish market competitive salary ranges
- Define salary grade levels based on market medians
- Apply discount or premium to market median based on compensable factors
- Assign individual jobs to range with nearest midpoints
Preliminary Compensable Factors - Overview

Relative academic reputation of campus or discipline, if applicable

- Specific campus national rank for positions with direct line-of-sight to the entire campus (e.g., Chancellors, Vice Chancellors)
- Specific discipline national rank for positions with direct line-of-sight to a particular discipline (e.g., Dean of Engineering)
- Normally not applicable for administrative positions

Relative size and complexity of job

- As applicable: relative operating budget, capital budget, scope of oversight (number of staff, faculty and students, hospital beds, etc.), degrees conferred, and breadth and depth of program offerings

Priority of discipline, if applicable

- UCOP approved strategy for near-term development of a particular discipline (e.g. Engineering) at a campus where salary grade exception is necessary for recruiting or retention
- Not applicable for administrative positions (e.g., Finance and HR)
**New Program Overview**

**Market Assessment Comparators**

**Academic Labor Market**

- Brown University
- California Institute of Technology
- Columbia University
- Cornell University
- Harvard University*
- Johns Hopkins University
- MIT*
- Northwestern University
- Stanford University*
- SUNY – Buffalo*
- SUNY – Stony Brook
- University of Chicago
- University of Colorado
- University of Colorado – Boulder
- University of Illinois – Chicago
- University of Illinois – Urbana-Champaign*
- University of Michigan*
- University of Minnesota
- University of Minnesota – Duluth
- University of Minnesota – Twin Cities
- University of Pennsylvania
- University of Texas – Austin
- University of Virginia*
- University of Washington
- University of Wisconsin – Madison
- Yale University*

* Indicates comparison 8 university
New Program Overview
Market Assessment Comparators

General Industry Comparators

Participants in:
- College and University Personnel Associates (CUPA)'s Administrative Compensation Survey
- Mercer's Executive Pay and Performance Survey
- Watson Wyatt's Report on Top Management Compensation
- Western Management Group's Educomp Compensation Survey

Healthcare and Hospital Comparators

Participants in:
- Association of Academic Medical Center's Compensation Study
- Clark's Healthcare Executive Compensation Survey - (Academic Medical Centers)
- Mercer's Integrated Health Networks Compensation Survey
- Sullivan, Cotter & Associates Survey of Executive Compensation in Hospitals and Healthcare
- Watson Wyatt's Hospital and Health Care Management Compensation Report
Senior Leadership Salary Grade Structure

Grade

Maximum
Midpoint
Minimum

Base Salary

$0
$100,000
$200,000
$300,000
$400,000
$500,000
$600,000
$700,000

Grade

102 103 104 105 106 107 108 109 110 111 112 113 114 115
### Salary Structure

**Slotting Example: Deans of Engineering**

- Overall market median: $240,000 per published survey data
- Adjustments by compensable factors to establish projected medians:
  - **Discipline reputation**: +10%, no adjustment, -10%
  - **Size**: +10%, no adjustment, -10%
  - **Priority of discipline**: grade adjustment, if applicable

<table>
<thead>
<tr>
<th>Campus</th>
<th>Market Median (000's)</th>
<th>Rel. Disc. Rep</th>
<th>Rel. Size</th>
<th>Projected Market Median (000's)</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$240</td>
<td>+10%</td>
<td>+10%</td>
<td>$288</td>
<td>110</td>
</tr>
<tr>
<td>B</td>
<td>$240</td>
<td>0%</td>
<td>+10%</td>
<td>$264</td>
<td>109</td>
</tr>
<tr>
<td>C</td>
<td>$240</td>
<td>0%</td>
<td>0%</td>
<td>$240</td>
<td>108</td>
</tr>
<tr>
<td>D</td>
<td>$240</td>
<td>0%</td>
<td>-10%</td>
<td>$216</td>
<td>107</td>
</tr>
<tr>
<td>E</td>
<td>$240</td>
<td>-10%</td>
<td>-10%</td>
<td>$192</td>
<td>106</td>
</tr>
</tbody>
</table>

**NOTE:** Adjustments and grades are illustrative only; actual factors and weights to be determined.
## Salary Structure

Slotting Example: Deans of Engineering

<table>
<thead>
<tr>
<th>Campus</th>
<th>Rel. Disc. Rep</th>
<th>Rel. Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>+10%</td>
<td>+10%</td>
</tr>
<tr>
<td>B</td>
<td>0%</td>
<td>+10%</td>
</tr>
<tr>
<td>C</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>D</td>
<td>0%</td>
<td>-10%</td>
</tr>
<tr>
<td>E</td>
<td>-10%</td>
<td>-10%</td>
</tr>
</tbody>
</table>

**Market Data**

- < 90th%ile
- < 75th%ile
- < 50th%ile
- < 25th%ile
- < 10th%ile
### Sample Report: Regent Approval of Individual Exceptions

#### Salaries for Approval

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Current Base Pay ($000s)</th>
<th>Projected Market Median ($000s)</th>
<th>Grade</th>
<th>Grade Minimum</th>
<th>Grade Midpoint</th>
<th>Grade Maximum</th>
<th>Base to Midpoint Positioning</th>
<th>Recommended Increase</th>
<th>Salary after Increase</th>
<th>Salary to Midpoint Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dean - Engineering E</td>
<td>$177.6</td>
<td>$192.0</td>
<td>106</td>
<td>$146.1</td>
<td>$184.9</td>
<td>$223.7</td>
<td>96.1</td>
<td>15%</td>
<td>$204</td>
<td>110.5</td>
</tr>
<tr>
<td>Dean - Engineering I</td>
<td>$320.0</td>
<td>$240.0</td>
<td>108</td>
<td>$182.2</td>
<td>$231.9</td>
<td>$281.7</td>
<td>138.0</td>
<td>3%</td>
<td>$330</td>
<td>142.1</td>
</tr>
</tbody>
</table>

#### Comparable Salaries for Context

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Current Base Pay ($000s)</th>
<th>Projected Market Median ($000s)</th>
<th>Base to Midpoint Positioning (pre-increase)</th>
<th>Base to Midpoint Positioning (post-increase)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dean - Engineering A</td>
<td>$250.0</td>
<td>$288.0</td>
<td>0.9</td>
<td>89.4</td>
</tr>
<tr>
<td>Dean - Engineering B</td>
<td>$225.0</td>
<td>$264.0</td>
<td>86.6</td>
<td>89.6</td>
</tr>
<tr>
<td>Dean - Engineering C</td>
<td>$200.0</td>
<td>$240.0</td>
<td>86.2</td>
<td>94.9</td>
</tr>
<tr>
<td>Dean - Engineering D</td>
<td>VACANT</td>
<td>$216.0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Dean - Engineering F</td>
<td>$218.2</td>
<td>$216.0</td>
<td>105.4</td>
<td>109.6</td>
</tr>
<tr>
<td>Dean - Engineering G</td>
<td>$265.0</td>
<td>$216.0</td>
<td>128.0</td>
<td>133.1</td>
</tr>
<tr>
<td>Dean - Engineering H</td>
<td>$212.5</td>
<td>$216.0</td>
<td>102.6</td>
<td>109.8</td>
</tr>
</tbody>
</table>

Regent approval required for salary increases of 15% or more for employees whose increases take them over their salary grade midpoint and for salary increases that place employees salaries above their salary grade maximums.

**NOTE:** Recommended increases are illustrative only.
### Sample Report: Regents Monitoring Program

**Senior Leadership Compensation Group ("SLCG") Salary Increase Summary**

<table>
<thead>
<tr>
<th>Campus</th>
<th>Employees over $168K</th>
<th>Salary Increase Budget</th>
<th>Recommended Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000s)</td>
<td>(%)</td>
<td>($000s)</td>
</tr>
<tr>
<td>A</td>
<td>45</td>
<td>$98</td>
<td>4.1%</td>
</tr>
<tr>
<td>B</td>
<td>30</td>
<td>$180</td>
<td>4.2%</td>
</tr>
<tr>
<td>C</td>
<td>28</td>
<td>$178</td>
<td>3.9%</td>
</tr>
<tr>
<td>D</td>
<td>57</td>
<td>$350</td>
<td>3.9%</td>
</tr>
<tr>
<td>E</td>
<td>15</td>
<td>$82</td>
<td>3.8%</td>
</tr>
<tr>
<td>F</td>
<td>32</td>
<td>$172</td>
<td>4.0%</td>
</tr>
<tr>
<td>G</td>
<td>38</td>
<td>$163</td>
<td>4.0%</td>
</tr>
<tr>
<td>H</td>
<td>41</td>
<td>$210</td>
<td>4.2%</td>
</tr>
<tr>
<td>I</td>
<td>34</td>
<td>$134</td>
<td>4.0%</td>
</tr>
<tr>
<td>J</td>
<td>27</td>
<td>$146</td>
<td>3.8%</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>347</td>
<td>$1,713</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

**NOTE:** Recommended budgets and increases are illustrative only.
Salary Administration
Sample Report to Regents (cont’d)

Sample Report: Regents Monitoring Program
Distribution of SLCG Percentage Salary Increases

Regent approval required for salary increases of 15% or more for employees whose increases will take them over their salary grade midpoint and for salary increases that place employees salaries above their salary grade maximums

NOTE: Recommended increases are illustrative only; totals by campus also will be provided
## Salary Administration

### Responsibility

<table>
<thead>
<tr>
<th>REGENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final authority on all issues, including:</td>
</tr>
<tr>
<td>- salary ranges and slotting of jobs</td>
</tr>
<tr>
<td>- changes to salary ranges</td>
</tr>
<tr>
<td>- changes in slotting of new and revised jobs</td>
</tr>
<tr>
<td>- aggregate salary increase budget</td>
</tr>
<tr>
<td>- actual overall salary adjustments</td>
</tr>
<tr>
<td>- salary increases of 15% or more for employees whose increases will take them over their midpoints</td>
</tr>
<tr>
<td>- salary increases that place employees’ salaries above their salary grade maximums</td>
</tr>
</tbody>
</table>

Regents receive annual report on all SLCG salaries

<table>
<thead>
<tr>
<th>PRESIDENT, SMAC, CHANCELLORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary recommendations and ongoing administration of the salary program</td>
</tr>
</tbody>
</table>
**Actions**

**Today’s Actions**
- Approve administrative procedures
- Approve concept of salary structure and job slotting for all employees under the Regent’s purview

**Future Actions**
- Approve initial salary structure and subsequent adjustments
- Approve initial job slotting and subsequent adjustments
- Approve individual salaries of Designated Officers
- Approve salary exceptions for others, as required

**NOTE:** Ranges already exist for National Lab employees, the Treasurer’s office, and coaches/athletic directors.
Today’s Action

- It is recommended that the Committee on Finance recommends to the Board of Regents the adoption of procedures for determining and setting compensation levels for senior leadership that are clear, comprehensive and accountable.
Private Funding for the Portion of Salaries over $350,000 for Approved Employees
## Current Situation
### Additional Funding

<table>
<thead>
<tr>
<th>FINDINGS</th>
<th>IMPLICATIONS</th>
<th>ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees who make over $350,000 are significantly below market</td>
<td>UC may have difficulty recruiting and retaining top academic and managerial talent</td>
<td>Develop an alternative to fund salaries above $350,000 to address compensation, retention, and recruitment efforts</td>
</tr>
<tr>
<td>Funding salaries in excess of $350,000 for these employees will cost $1.2M over 10 years</td>
<td>New hires brought in at market rates create internal inequities</td>
<td>Specifically, use private funding for the portion of salaries over $350,000 for certain positions</td>
</tr>
<tr>
<td>Current funding sources are unlikely to be able to pay for expected increases</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Securing Additional Funding Process

INITIAL STEP

Regents approve proposal to use private funds for the portion of salaries over $350,000 (indexed)

ANNUAL PROCESS

Regents:
- review and approve positions eligible to receive private funds

Next Year

University:
- Obtains funds from individuals and organizations for specific purpose of making critical salary adjustments

Regents:
- approve salary increases for individuals in designated positions
Securing Additional Funding

Guidelines

Donations:

- can be designated to specific positions
- are administered by the President for the designated positions
- must be reported to Regents annually
Securing Additional Funding

Positions Included

- President (1 / 1)
- Chancellors (6 / 10)
- Deans of Business / Management (0 / 6)
- Deans of Engineering (0 / 9)
- Deans of Law (0 / 3)

May be included at a later date:
- Senior Vice Presidents (2 / 3)
- Executive/Senior Vice Chancellors (0 / 10)

**NOTE:** Numbers in parentheses indicate incumbents whose salaries, or the projected market median of their positions, are above the threshold of $350,000 (indexed) within the ten year projections, as a proportion of the total number of incumbents in the job.
Securing Additional Funding
10-Year Projections

Ten-Year Projections of Private Funds Needed

Note: Assumes all incumbents and market medians currently over $350,000 remain the same throughout the period and that incumbents receive the same annual salary increases (compact and additional). Also assumes the $350,000 is indexed annually by UC’s projected weighted average rate of salary increases for all UC employees.
Securing Additional Funding
Summary of Costs

- The amount of salaries plus future increases that exceed $350,000 (indexed) is $3.5M over ten years
  - $1.2M based on actual current salaries and an additional $2.3M based on projected market medians over $350k

- Adopting a proposal for private funding of salaries for positions with market medians over $350,000 will require funding ranging from $278,000 in 2006 to $446,000 in 2015

- If salary rates increase faster than projected, other employees with market medians not currently over $350,000 (e.g. Deans of Engineering) may become eligible for private funding
## Regent Review:
### Distribution of Private Funds

<table>
<thead>
<tr>
<th>Position</th>
<th>Current Salary</th>
<th>Budget Increase (%)</th>
<th>Current Salary Range (000's)</th>
<th>Proposed Salary</th>
<th>Proposed Private Funding for:</th>
<th>Total Private Funding Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chancellor A</td>
<td>$390,000</td>
<td>4.0%</td>
<td>$316.3 - $408.7 - $501.2</td>
<td>$405,600</td>
<td>$40,000</td>
<td>$55,600</td>
</tr>
<tr>
<td>Chancellor B</td>
<td>$350,000</td>
<td>4.0%</td>
<td>$283.2 - $364.9 - $446.6</td>
<td>$364,000</td>
<td>$0</td>
<td>$14,000</td>
</tr>
<tr>
<td>Chancellor C</td>
<td>$350,000</td>
<td>4.0%</td>
<td>$283.2 - $364.9 - $446.6</td>
<td>$364,000</td>
<td>$0</td>
<td>$14,000</td>
</tr>
<tr>
<td>Chancellor D</td>
<td>$358,900</td>
<td>4.0%</td>
<td>$283.2 - $364.9 - $446.6</td>
<td>$373,256</td>
<td>$8,900</td>
<td>$23,256</td>
</tr>
</tbody>
</table>

*NOTE: Example chart and data values are illustrative only*
Today’s Action

- It is recommended that the Committee on Finance recommends to the Board of Regents augmented funding of salaries for amounts in excess of $350,000 with private funds for 42 senior leadership positions so that market parity is achieved over the next ten years.