COMMITTEE ON COMPENSATION

SEPTEMBER 2007

2006-07 ANNUAL INCENTIVE AWARD FOR MARIE BERGGREN AS CHIEF INVESTMENT OFFICER, VICE PRESIDENT – INVESTMENTS, AND ACTING TREASURER OF THE REGENTS

RECOMMENDATION

Regent Wachter recommended that the Committee on Compensation recommend to The Regents that the total award amount of $486,200 for 2006-07 contributions and performance under the Office of the Treasurer Annual Incentive Plan (AIP) be approved for Marie Berggren as Chief Investment Officer, VP Investments, and Acting Treasurer of the Regents ("CIO"). This award, consistent with AIP terms and conditions, will be paid out incrementally over a three year period.

BACKGROUND

The purpose of the Office of the Treasurer AIP is to provide contingent financial incentive to those in the Treasurer's Office responsible for attaining or exceeding key performance objectives which are aligned with the University's objectives. The AIP provides an annual non-base building cash incentive tied to the following categories:

- Performance of UC's overall investment portfolio
- Performance of the Treasurer's Office against objectives
- Performance of the functional groups within the Treasurer's Office
- Individual performance

The award targets and weightings of the above categories are established for each position to provide clear and tangible incentives tied to the responsibilities of the job. The incentive award is earned upon the achievement of specific financial, non-financial, and strategic objectives related to the mission and goals of the Treasurer's Investment Office and the performance of the investment portfolio.

Fiscal year 2007 incentive payouts under the plan were calculated by Mercer Human Resource Consulting ("Mercer"). To determine the AIP payouts Mercer relied on entity, asset class and sector performance data provided by State Street Bank, Cambridge Associates and Venture Economics, as well as individual performance ratings determined and provided by the Office of the Treasurer. Mercer determined the AIP payouts in accordance with established entity, asset class and sector performance standards approved by the UC Committee on Investments in November 2003 and amended in August 2005. Mercer worked with the Office of the President and the Investment Office to adjust the existing payout curves based on the new performance standards and the target performance awards as amended by The Regents in November 2005.

The AIP payouts are earned in the fiscal year and paid out incrementally over a three year period. The plan governing 2007 calculations and payouts incorporates a claw back feature to adjust the deferred amounts based on performance in future years.