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THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

With so many compensation-related items on this week's Board of Regents agenda, I wanted to write in advance to provide you with a brief preview of what I intend to present in open and closed session, focusing particularly on the leadership initiatives I am proposing to ensure we never face these problems again.

My views on this subject are framed by one overriding, and in my view critical, objective: to ensure UC's continuing contribution to the State of California by protecting the quality of the institution. This means competing with the top public and private universities for the absolute best talent. As many of you know from participating with me in recent executive searches, the playing field is not level--privates have gotten richer while publics, like UC, have suffered under the strain of budget cuts. In order to compete, this has forced us to look at other forms of compensation.

I hear no dissent that we must do whatever we can to remain competitive. The issue facing us, then, involves strict compliance with policy, including proper disclosure of compensation as outlined in the 1992-93 *Regents' Principles for Review of Executive Compensation*.

This leads me to recommend the following five-point action plan. It is intended to implement the findings of the Hertzberg-Kozberg Task Force on UC Compensation, Accountability and Transparency, and to focus us on where we need to act. I believe one of its effects will be to limit the need for exceptions to policy, because of enhanced disclosure and by modifying policies that have not kept up with our competitive needs.

The plan consists of the following:

- First, establish a new working relationship with The Regents on compensation matters. That will include my consulting in advance with key members--the Chair of the Board and the Chair of the Compensation Committee--in constructing competitive compensation packages, such as for Chancellors and other key Officers.
- Second, ensure compliance with more than the letter, but also the spirit of the 1992-93 principles on executive compensation. We will do this by aligning University policies and practices to those principles--something never fully implemented by either The Regents or the administration following the 1993 actions. As you know, I have established an Implementation Committee to address all of the issues identified by the Task Force, including these policy issues, and have asked them to report back to me and to The Regents for prompt action.

- Third, ensure proper disclosure. This includes disclosing fully to The Regents in advance--and to the legislature, the media, and the public immediately after actions are taken--the total compensation packages for a designated group of top positions. We are developing a simple, common template to make this easy and consistent. This action point also includes developing mechanisms for keeping the Governor and legislature fully informed of compensation policies and practices through regular reports or annual testimony. And finally, this action point includes the development of a new, public Web site showing policies, practices, and decisions regarding UC compensation. We have a very early design of what this site might look like and will be doing a great deal of work to get it up and running as soon as possible.
- Fourth, invest in a modern, comprehensive human-resources information system. We need to have this system in order to quickly examine and analyze compensation data and meet our obligations to public accountability. Consistent with the Task Force's recommendation to introduce the new system in phases, I propose we focus first on capturing senior management compensation starting in December of this year.
- And finally, change the culture of the University of California with respect to compensation issues. We need to do that by infusing the culture with a renewed commitment to upholding the public trust and a renewed appreciation for the importance of modern management systems. Recognizing that this change must start at the top, I am committed to hiring senior managers that possess this commitment to the public trust, strong management experience, as well as superb academic credentials. And we need to do it in a way that allows us to meet the competitive compensation challenges still facing the University and addressed in Regents' Resolution in RE-61. Again, the Implementation Committee will give us a clear, focused way to do all of this.

These steps, taken on top of the preliminary policy and personnel actions I have announced in recent weeks, are designed to put us on the road to reforming our compensation policies and practices. In addition, they serve to establish the University of California as a leader in transparency, accountability, and competitiveness.

I look forward to discussing these and other matters with you further at our meeting this week.

Sincerely,



Robert C. Dynes

cc: Chancellors
Laboratory Directors