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**STATE SENATE EDUCATION COMMITTEE
AND SENATE BUDGET COMMITTEE SUBCOMMITTEE ON EDUCATION
INFORMATIONAL HEARING ON UC COMPENSATION**

**Judith Hopkinson
Chair of the Board of Regents Committee on Compensation
University of California
Wednesday, February 22, 2006**

Chairman Scott, Vice Chairman Maldonado, and members: I will be brief since I know you have many questions. I am Judy Hopkinson, chair of the new Committee on Compensation.

Many of the Regents, like you, have been concerned about UC compensation practices for some time.

Almost two years ago, we started a review of the compensation procedures for senior manages.

We began by hiring an outside team – Mercer Consulting – to review procedures and undertake an independent comparability study

We found that our Senior Management Group was paid 17% below our comparable institutions

And that our procedures are confusing, overlapping, unclear and are not transparent.

We began to undertake reforms that I believe had they been in place, many of the matters now before us would not have occurred.

We began in November of last year by adopting Regents' resolution 61, which called for two things:

First, to establish goals to obtain, prioritize and direct funds, to the extent they are available, to increase salaries to achieve market comparability for all employees over the next decade;

Second, to adopt procedures for determining and setting compensation levels for senior leadership that are clear, comprehensive and accountable.

As part of the Second goal, we adopted some specific, initial interim measures to make the process for setting Senior Managers' compensation fair, clear, accountable and transparent to the public while we re-evaluate the whole system.

These specific interim controls include:

Creating 16 ranges for 800 senior managers based on an independent study by Mercer.

Placing all 800 senior managers in these ranges of their current salaries

Requiring approval by the Regents of any individual with a TOTAL compensation in excess of \$200,000 including ANY additional or special payments

Requiring approval by the Regents of all compensation for the top 32 positions at the University

Approval by the Regents of ANY increase in compensation in excess of 7.5%

Completing each year a comprehensive report to the Committee on all compensation received by these approximately 800 individuals. This report will be a public one, and include all types of compensation. It is anticipated that the first of these for 284 individuals of this group will be completed for the March Regents meeting.

All of this, by the way, to be done in public.

A significant controlling factor for any increase is, of course, the limited overall amount of funds budgeted for salary increases for the university's most highly compensated employees.

As an example, the Regents were able to approve last November only a 2 ½ percent cost of living adjustment for 284 of the senior managers. This was the first increase in two years. This same group will now be eligible for merit increases, but the total amount available is only \$770,000, or an average of slightly more than \$2,700 annually, for these 284 individuals.

Additional measures are being implemented

The Regents have established a new committee whose sole responsibility is compensation. We took this step understanding the importance of focusing on this fairly complex subject, and have charged the committee with a very broad range of responsibilities that does not limit its role in this area.

Severance payments over \$100,000 must be approved by the Regents

We will undertake annual audits specifically of senior management compensation.

These are but the first interim steps as we await the recommendations of the Task Force and the results of the Audit. As this work is completed we will see additional discrepancies emerge. I believe that what we will ultimately see is a complete overhaul of our policies and procedures.

Let me repeat: I believe that had we taken these steps a decade ago, we might not be where we are today.

With such new systems in place, the legislature, the media and the public will have the kind of accountability and transparency all of us here today expect, and will have outside validation about how UC salaries at all levels compare with its competition, as well as how they compare among similar positions throughout the UC system.

The University of California could have been a leader at a time when public and private governing boards across the nation are grappling with how to respond quickly to society's changing demands for greater accountability and transparency in regard to executive compensation.

I believe we still have that chance. The reforms we will be considering for adoption under the new Compensation Committee can still establish the University of California as a leader, not just in attracting the best and brightest to its faculty and senior management ranks, but also in being transparent and accountable to the public.

As we monitor and provide oversight, I believe we are also obligated to make a better case to you, the legislature, the media and the public about what it really takes to maintain a quality public research institution.

I would like to believe that if we had done this from the beginning, you would have responded with the resources and understanding of what the university needs to remain competitive.

What the University of California owes to the people of California in return is openness and accountability. That is our public trust – our fiduciary responsibility to those we serve.

Thank you.