

REVISED

AGENDA

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

**Meeting: 9:00 a.m., Wednesday, September 12, 2001
Glenn S. Dumke Conference Center**

Murray L. Galinson, Chair
Anthony M. Vitti, Vice Chair
William D. Campbell
Bob Foster
Shailesh J. Mehta
Stanley T. Wang

Consent Items

Approval of Minutes of Meeting of March 20, 2001
Approval of Minutes of Meeting of June 4, 2001

Discussion Items

1. Executive Compensation, *Action*

**MINUTES OF MEETING OF
COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL**

**Trustees of The California State University
California State University, Long Beach
University Student Union-Multipurpose Room ABC
1250 Bellflower Boulevard
Long Beach, California**

March 20, 2001

Members Present

Frederick W. Pierce IV, Vice Chair
Shailesh J. Mehta
Martha C. Fallgatter
Laurence K. Gould, Jr., Chair of the Board
Anthony M. Vitti
Stanley T. Wang
Charles B. Reed, Chancellor

Members Absent

Robert G. Foster, Chair
William D. Campbell

Other Trustees Present

Daniel N. Cartwright
Debra S. Farar
Murray L. Galinson
Harold Goldwhite
William Hauck
Neel I. Murarka

Chancellor's Office Staff

David S. Spence, Executive Vice Chancellor and Chief Academic Officer
Richard P. West, Executive Vice Chancellor and Chief Financial Officer
Jackie R. McClain, Vice Chancellor, Human Resources
Christine Helwick, General Counsel
Karen Yelverton Zamarripa, Assistant Vice Chancellor, Governmental Affairs
Samuel A. Strafaci, Assistant Vice Chancellor, Human Resources

Call to Order

Vice Chair Pierce called the meeting to order at 3:37 p.m.

Approval of Minutes

The minutes of January 24, 2001, were approved as submitted.

Trustee Pierce asked chancellor Charles Reed to present the presidential action item to the Board.

Chancellor Reed presented to the a resolution for adoption of the compensation packages for Dr. William B. Eisenhardt, president of the California Maritime Academy, and Dr. Richard R. Rush, president of California State University, Channel Islands. A motion was made and the Committee adopted the proposed resolution.

Vice chancellor McClain summarized the new CSU Health Care Reimbursement Account Plan for CSU executives. She explained that represented and non-represented employees would be able to pay for out-of-pocket medical expenses using pre-tax dollars. Ms. McClain stated that there would be an open enrollment period for the plan during April 2001 and that all the unions have signed agreements adopting the plan. Vice chancellor McClain added that there would be no cost to the CSU. A motion was made and the Committee adopted the CSU Health Care Reimbursement Account Plan.

Adjournment

The meeting adjourned at 3:41 p.m.

**MINUTES OF SPECIAL MEETING OF
COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL**

**Trustees of The California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

June 4, 2001

Members Present

Shailesh J. Mehta
Anthony M. Vitti
Stanley T. Wang
Laurence K. Gould, Jr., Chair of Board
Charles B. Reed, Chancellor

Members Absent

Frederick W. Pierce IV, Vice Chair
William D. Campbell
Bob Foster

Other Trustees Present

Roberta Achtenberg
Martha J. Fallgater
Murray L. Galinson
Harold Goldwhite
William Hauck
Ralph R. Pesqueira
Kyriakos Tsakopoulos

Chancellor's Office Staff

David S. Spence, Executive Vice Chancellor and Chief Academic Officer
Richard P. West, Executive Vice Chancellor and Chief Financial Officer
Jackie R. McClain, Vice Chancellor, Human Resources
Christine Helwick, General Counsel
Freda Hinsche Otto, Administrative Officer in Charge, University Advancement

Trustee Mehta called the special meeting to order at 10:45 a.m.

Trustee Mehta asked Chancellor Reed to summarize the proposed action.

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UF&P

Chancellor Reed stated that the Board met in a closed session earlier that morning, to consider the appointment of a vice chancellor, university advancement. Louis Caldera has been selected as the vice chancellor, university advancement.

This item sets Mr. Caldera's annual salary at \$210,004, plus a car allowance of \$750 per month.

Chancellor Reed recommended adoption of the resolution. The committee recommended approval of the proposed resolution (RUFP 06-01-04).

Adjournment

The meeting adjourned at 10:48 a.m.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Executive Compensation

Presentation By

Laurence K. Gould, Jr.
Chair of the Board

Charles B. Reed
Chancellor

Jackie McClain
Vice Chancellor, Human Resources

Summary

Recommendations for executive compensation, including benefits, will be presented.

Background

The Trustees recognize compensation for presidents and system executives as a key element in the California State University's (CSU) success. The ability to offer a competitive compensation program is critical to the CSU's ability to recruit and retain key executives who are competent and visionary leaders. Higher education in California partakes in a national system that shares a very limited pool of qualified executives, and not only do we compete with these key institutions for new executives, but CSU executives are under pressure to consider highly competitive offers from these same institutions.

The executive compensation policy for campus presidents and system executives has the primary objective of providing a total compensation program which recognizes individual performance and experience and addresses the need to maintain a competitive market position. When compensation levels are set for these executives, the mission, scope, size, complexity and programs of each campus are taken into consideration as well as system and national policy leadership. Merit assessments according to stated criteria are also essential ingredients as are recruitment and retention experience and regional cost-of-living differentials. The Policy establishes the target for the average cash compensation for presidents as being approximately the mean for comparable positions in the 20 California Postsecondary Education Commission (CPEC) comparison institutions, the same group used for faculty salary studies. Finally, the Trustees are always sensitive to comparable levels of reward at campus and system levels of the University of California.

At the January 1997 Board of Trustees' meeting, the Trustees established a Blue Ribbon Committee to review the status of CSU executive compensation and develop a long term strategy for program improvement. A well-developed strategy for total executive compensation was needed as CSU executive pay continued to fall further behind the competitive market. A review of the executive compensation policy also was to take place.

The Trustees' Blue Ribbon Committee Report, presented at the September 1997 Board of Trustees' meeting, noted that CSU's executive compensation policy was adequate, but the goal of establishing the target for the average presidential compensation as being approximately the mean for comparable positions in the CPEC comparison group was not being met and continued to fall further behind. The Committee recommended that presidential salaries be adjusted as part of a three-year plan to bring executive salaries in line with those of the comparison group. Additionally, the Committee considered it critically important that system executive salaries be appropriately adjusted. The Board adopted these recommendations and the first phase of the multi-year recommendation was implemented September 1997, the second phase September 1998 and the third phase September 1999.

It is important to note that despite the good efforts of the trustees, the salaries for CSU presidents continue to lag behind the CPEC comparison group. William M. Mercer, Inc., a consulting group that has conducted CSU presidential compensation surveys at the request of CPEC since 1995, noted in its December 2000 report that the average CSU presidential \$208,852 salary lags behind the average \$227,678 CPEC comparison group salary by 9.01%. CPEC continues to support the efforts of the Board of Trustees to ensure executive compensation is adequate to recruit and retain campus leaders.

Unfortunately, this year's State Budget for the CSU only provides a 2% compensation pool. Therefore, the university salary program this fiscal year does not provide adequate funds to be able to address the salary lag, as a limited compensation pool is available. Last year, for example, the compensation pool increase was 6% and the presidents' salary increases were based on several factors: job performance; mission, scope, complexity, and programs of each campus; length of service; and assistance to the Chancellor's Office and trustees and national leadership. Because of the amount of funds available this year, a differentiation similar to last year does not seem justified and 2% is basically distributed across the board.

The following salary increases, provided out of a 2% compensation pool, are recommended for trustee approval, effective July 1, 2001:

CSU EXECUTIVE SALARIES

<u>Campus</u>	<u>President</u>	<u>Salary</u>	
		<u>Current</u>	<u>7/1/01</u>
Bakersfield	Tomás A. Arciniega	\$196,824	\$200,772
Channel Islands	Richard R. Rush	200,004	200,004
Chico	Manual A. Esteban	200,784	204,804
Dominguez Hills	James E. Lyons, Sr.	205,932	210,060
Fresno	John D. Welty	216,192	220,524
Fullerton	Milton A. Gordon	200,460	204,480
Hayward	Norma S. Rees	200,424	204,444
Humboldt	Alistair W. McCrone	199,104	203,088
Long Beach	Robert C. Maxson	236,688	241,428
Los Angeles	James M. Rosser	230,736	235,356
Maritime Academy	William B. Eisenhardt	185,004	185,004
Monterey Bay	Peter P. Smith	199,680	203,676
Northridge	Jolene Koester	200,004	204,012
Pomona	Bob H. Suzuki	197,136	201,084
Sacramento	Donald R. Gerth	227,448	232,008
San Bernardino	Albert K. Karnig	198,900	202,884
San Diego	Stephen L. Weber	222,924	227,388
San Francisco	Robert A. Corrigan	222,420	226,872
San Jose	Robert L. Caret	214,560	218,856
San Luis Obispo	Warren J. Baker	244,356	249,252
San Marcos	Alexander Gonzalez	195,264	200,004
Sonoma	Ruben Armiñana	215,436	219,756
Stanislaus	Marvalene Hughes	196,920	200,868
<u>System Officers</u>			
Chancellor	Charles B. Reed	\$305,340	\$311,448
Executive Vice Chancellor, & Chief Academic Officer	David S. Spence	230,592	235,200
Executive Vice Chancellor & Chief Financial Officer	Richard P. West	230,592	235,200
Vice Chancellor Human Resources	Jackie R. McClain	202,008	206,052
General Counsel	Christine Helwick	188,664	192,432
Vice Chancellor, University Advancement	Louis Caldera	210,000	210,000

Additionally, employee benefits are an important component of the university's executive compensation program and select benefit changes are recommended for adoption by the Trustees. First, it is

recommended that the executive life insurance and accidental death and dismemberment program be increased from \$150,000 to \$250,000, effective November 1, 2001, to provide a more adequate level of coverage. Next, it is recommended that executives receive the same dependent fee waiver benefit provided to eligible members of the California Faculty Association and other eligible employee groups. Additionally, the university is developing a Pre-Tax Parking Deduction Plan, permitted by federal legislation, which will enable eligible employees who pay for university parking through payroll deduction to pay with pretax dollars. When this program is implemented in the near future, it is recommended that executives be able to participate, if they so elect. Finally, it is recommended that the Non-Industrial Disability benefit be increased from \$125 to \$250 per week for executives to be comparable to that provided to eligible members of the California State Employees Association and eligible confidential and Management Personnel Plan employees.

The following resolution is recommended for adoption:

RESOLVED, By the Board of Trustees of The California State University, that the CSU executive salaries table in Agenda Item 1 of the September 11-12, 2001 meeting of the Committee on University and Faculty Personnel, be approved for implementation effective July 1, 2001; and be it further

RESOLVED, that the life insurance and accidental death and dismemberment benefit for executives be increased to \$250,000, effective November 1, 2001; and be it further

RESOLVED, that effective January 1, 2002, executives receive the same dependent fee waiver benefit provided to eligible members of the California Faculty Association; and be it further

RESOLVED, that executives will have the opportunity to participate in the university's Pre-Tax Parking Deduction Plan; and be it further

RESOLVED, that the Non-Industrial Disability benefit for executives be increased to \$250 per week, effective immediately.