

BRIEF

Action Item

Agenda Item 1
November 17-18, 1992

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

PROVISIONS FOR TRANSITION OF EXECUTIVES

Presentation By

June M. Cooper, Vice Chancellor
Human Resources and Operations

Summary

This agenda item provides for transition from office for those individuals appointed as chancellor, senior vice chancellor, vice chancellor, general counsel, or president on or after November 18, 1992. This item would eliminate the benefits of the trustee professor program for executives appointed on or after November 18, 1992, and provide a significantly reduced program limited to a one year transition period after leaving office.

Agenda Item 1
November 17-18, 1992

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

PROVISIONS FOR TRANSITION OF EXECUTIVES

This agenda item provides a transitional period of one year after leaving office for individuals appointed chancellor, senior vice chancellor, vice chancellor, general counsel, or president on or after November 18, 1992. Individuals appointed to these executive positions on or after November 18, 1992, shall not be eligible for appointment as trustee professor. This item would eliminate the benefits of the trustee professor program for executives appointed on or after November 18, 1992, and provide a significantly reduced program limited to a one year transition period after leaving office.

For the transitional period, funding from the Office of the Chancellor will be provided for a paid leave of one year for eligible individuals so that they may prepare for future professional activities. The salary during this leave shall be paid at the approximate midpoint between the salary of the former executive and the maximum salary paid to regular faculty in a twelve-month position (currently, step twenty of the full professor range). At the conclusion of this transitional year, the individual may elect to exercise any retreat rights which may have been previously established to a position in the CSU.

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, By the Board of Trustees of The California State University, that the provisions for transition of executives appointed on or after November 18, 1992, providing a one-year paid leave of absence for a chancellor, senior vice chancellor, vice chancellor, general counsel, or president who leaves office, as described in Agenda Item 1 of the November 17-18, 1992, meeting of the Trustees' Committee on University and Faculty Personnel, are hereby adopted.

M/S/P

BRIEF

Action Item

Agenda Item 2
September 16-17, 1997

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Executive Compensation

Presentation By

Anthony Vitti, Trustee and Chair
Blue Ribbon Committee

Barry Munitz
Chancellor

June M. Cooper
Interim Chief of Staff and Senior Vice Chancellor

Summary

A discussion of executive compensation will take place and actions for recruitment and retention of executives will be presented.

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COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Executive Compensation

At the January 28-29, 1997, Board of Trustees' meeting an information item on shortcomings in the CSU executive compensation was presented for discussion. Following the discussion, the trustees established a Blue Ribbon Committee to review the status of CSU executive compensation and develop a long-term strategy for improvement with recommendations presented to the trustees for consideration. The trustees agreed that a well-developed strategy for total executive compensation is needed. CSU continues to fall further behind in the competitive market. Recruitment and retention of critical competent and visionary executives jeopardizes the future success of the university. Although it will always be essential to build CSU's campuses upon superb and strongly paid faculty, the trustees recognize total compensation for presidents, their line administrators and system executives as another key element in CSU's success.

The CSU continues to have substantial difficulty recruiting and retaining campus presidents and vice chancellors at the level of quality and experience the Board of Trustees has grown to expect and demand. In the last few months alone, trustees have been faced with critical erosion of CSU's excellent executive team. Chancellor Munitz will be leaving the university December 31, 1997, to head the J. Paul Getty Trust and while the trustees are tremendously proud of his new assignment, his departure is a tremendous loss for the CSU. Additionally, Executive Vice Chancellor Broad recently left the CSU to serve as president of the University of North Carolina system and her loss is a critical one. And then too, recent and potential future resignations of presidents for more lucrative opportunities are threatening the executive stability of the organization. Innovative, competent and stable leadership is critical to CSU's success.

It is important to note that 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 current campus chief executives are under severe pressure to consider highly competitive offers from these same universities. Several recent searches indicate that highly qualified candidates are reluctant even to apply for CSU positions given the serious erosion of the university's fiscal resources and state income tax combined with the increasing gap between their present total compensation and that which we can offer at CSU. The CSU plays an important role in the present and future growth and economic health of California and the nation, and the dynamic leadership of executives is the key element in keeping the engine of educational productivity and social enhancement operating at maximum efficiency.

The trustees are now charged with the responsibility of recruiting a chancellor who will continue to build on the success of Chancellor Munitz and lead the CSU into the new millennium with creative vision and competent leadership. As stated earlier, there is a very limited pool of qualified higher education executives and there is an even more limited pool of executives qualified to lead an institution as large and complex as the CSU. The trustees need to attract experienced and innovative leaders. To attract those leaders, the trustees must have the ability to pay the chancellor a competitive salary in the range of \$250,000. Public acknowledgment of this range will send a national signal that the trustees intend to attract an exceptional pool of applicants.

It is also critical to note that the trustees recognize the importance of a highly experienced and qualified executive team. Once the new chancellor is appointed, the trustees will provide the chancellor the support

he or she needs to build that team. The chancellor will need to have flexibility to offer competitive salaries to retain current and recruit future key executives.

At the September 1993 Board of Trustees' meeting, the trustees adopted a new Executive Compensation Policy for campus presidents and system executives. It is based upon the provision of a total compensation program that recognizes individual performance and experience, while also addressing the need to maintain a competitive market position. When compensation levels are set for these executives, regional cost-of-living differentials as well as the mission, scope, size, complexity and programs of each campus are taken into consideration. Merit assessments according to stated criteria are also essential ingredients. *Additionally, CSU Executive Compensation Policy establishes the target for the average total 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.* (It is important to note that the faculty salary is an issue that the Board of Trustees is currently reviewing and it will be subject to future collective bargaining negotiations with the California Faculty Association. Additionally, faculty compensation will be discussed in the Joint Meeting of the Collective Bargaining and Finance Committees during the September 16-17, 1997, trustees' meeting.) Finally, the CSU is always sensitive to comparable levels of reward at campus and system levels of the University of California (UC), since UC is not only developing our faculty, but its deans and other senior-level administrators are often candidates for key CSU positions and indeed, increasingly, our strongest leaders are targeted for recruitment by UC.

William M. Mercer, Inc., a consulting group that conducts presidential compensation surveys for CSU at the request of CPEC, has undertaken specific analysis for the CSU since 1995. In the December 1996 Mercer Report, it is noted that the average CSU presidential \$141,305 salary lags the \$184,415 average base salary for CPEC comparison group presidents by 30.51 percent. The previous January 1996 Mercer study reported an average salary of \$135,870 for CSU presidents against the comparison institution group's average of \$179,180, a lag of 31.9 percent. Additionally, the February 1995 report reflected a lag of 22.5 percent—the average comparison group salary was \$162,728 as compared to the CSU's \$132,796 average. As is obvious by the double digit salary lag over these past years, compensation at comparable institutions continues to increase faster than compensation at the CSU. Campus chief executives continue to lose ground. It is important to emphasize that CPEC has urged that the CSU close existing gaps and place substantial priority on the retention of our current strong and competent leaders.

The trustees' Blue Ribbon Committee has noted that the current executive compensation policy is adequate; however, the goal of establishing the target for the average presidential compensation as being approximately the mean for comparable positions in the CPEC comparison group has not been met; worse, the goal is now even further behind. As noted earlier, the current presidential salary lag is 30.15 percent. In reviewing the Mercer and CPEC reports on presidential salaries and considering the difficult executive recruitment and retention issues the CSU is currently facing, the Blue Ribbon Committee recommends an adjustment of presidential salaries as part of a three-year plan to bring executive salaries in line with those of the CPEC comparison group. Additionally, the committee considers it critically important that system executive salaries be adjusted and recommends appropriate action. Current and future salary adjustments need to move the CSU to a position of competitiveness. The comprehensive strategic compensation objective as a "Compact II for Tidal Wave 2" provides resources to support movement to more competitive salaries for both executives and faculty. Therefore, in accordance with the principles of the trustees' Executive Compensation Policy, and in keeping with the Blue Ribbon Committee multi-year staged recommendations, the following actions are recommended for trustee approval:

CSU Executive Salaries

| Campus | President | Salaries | |
|------------------|---------------------|-----------|--------------|
| | | Current | July 1, 1997 |
| Bakersfield | Tomas A. Arciniega | \$138,624 | \$145,560 |
| Channel Islands | J. Handel Evans | 129,000 | 139,320 |
| Chico | Manuel A. Esteban | 130,044 | 147,084 |
| Domínguez Hills | Robert C. Detweiler | 135,672 | 135,672 |
| Fresno | John D. Welty | 139,572 | 157,716 |
| Fullerton | Milton A. Gordon | 138,540 | 148,236 |
| Hayward | Norma S. Rees | 139,128 | 148,860 |
| Humboldt | Alistair W. McCrone | 140,148 | 151,368 |
| Long Beach | Robert C. Maxson | 151,680 | 175,032 |
| Los Angeles | James M. Rosser | 147,828 | 169,116 |
| Maritime Academy | Jerry Aspland | 120,288 | 132,324 |
| Monterey Bay | Peter P. Smith | 147,696 | 162,468 |
| Northridge | Blenda J. Wilson | 154,536 | 173,088 |
| Pomona | Bob H. Suzuki | 134,784 | 152,304 |
| Sacramento | Donald R. Gerth | 150,840 | 167,436 |
| San Bernardino | Albert Karnig | 139,560 | 145,008 |
| San Diego | Stephen L. Weber | 158,004 | 176,964 |
| San Francisco | Robert A. Corrigan | 148,212 | 163,032 |
| San Jose | Robert L. Caret | 138,576 | 157,284 |
| San Luis Obispo | Warren J. Baker | 161,352 | 180,708 |
| San Marcos | Alexander Gonzalez | 131,028 | 140,208 |
| Sonoma | Ruben Armiñana | 140,988 | 157,908 |
| Stanislaus | Marvalene Hughes | \$137,004 | \$146,592 |
| | CSU Average | | \$155,364 |
| | CPEC Average | | \$184,415 |

System Officers

| | | | |
|----------------------------------------------------------------|--------------------|-----------|-----------|
| Chancellor | Barry Munitz | \$197,232 | \$215,000 |
| Executive Vice Chancellor | Vacant | 162,888 | no change |
| Senior Vice Chancellor, and Interim Chief of Staff | June M. Cooper | 152,652 | no change |
| Senior Vice Chancellor, Business and Finance | Richard P. West | 149,460 | 163,824 |
| Interim Senior Vice Chancellor, Academic Affairs | Charles W. Lindahl | 144,636 | no change |
| Vice Chancellor, University Advancement | Douglas X. Patiño | 135,516 | 144,732 |
| General Counsel | Christine Helwick | 146,640 | 160,728 |
| Vice Chancellor, Human Resources & Operations | Vacant | 142,656 | no change |
| Vice Chancellor, External Relations and National Affairs | Vacant | 124,080 | no change |

Also, while CSU trustees do provide assistance with housing for presidents in recognition of their broad responsibilities for institutional advancement and development, that assistance is in need of selected adjustments as noted below:

| Campus | Annual Housing Allowance | |
|-----------------|--------------------------|--------------|
| | Current | July 1, 1997 |
| Bakersfield | \$15,000 | \$19,000 |
| Channel Islands | \$18,000 | \$22,000 |
| Chico | \$18,000 | \$24,000 |
| Hayward | \$18,000 | \$22,000 |
| Humboldt | \$12,000 | \$16,000 |
| Los Angeles | \$18,000 | \$24,000 |
| Monterey Bay | \$18,000 | \$22,000 |
| Sacramento | \$18,000 | \$22,000 |
| San Jose | \$18,000 | \$24,000 |
| Sonoma | \$18,000 | \$24,000 |
| Stanislaus | \$15,000 | \$19,000 |

Additionally, when reviewing the executive compensation program—both salary and benefits—it became apparent to the Blue Ribbon Committee that the Trustee Professor program was in need of amendment. A resolution adopted by the Board of Trustees in November 1984 (Attachment A – RFSR 11-84-07) provides for a California State University Trustee Professor program which allows an eligible president, vice chancellor, or chancellor who already possesses tenure at a CSU campus to assume a position of trustee professor upon leaving the administrative responsibility. The 1984 action revised a September 16, 1981, resolution establishing the administrative Distinguished Service Professorship. In November 1992, an update to this policy (Attachment B – RUFPP 11-92-04) was provided by superseding the broad based original 1984 board action in order to define more specifically and limit more dramatically the terms and conditions for awarding this distinguished recognition.

There are currently 24 executives who were appointed prior to November 1992 and, therefore, remain eligible for participation in the 1984 Trustee Professor program. At the same time, since 1984, there have been significant changes in the federal law concerning mandatory retirement, the CSU budget process has been altered dramatically, and there is a very different structure for CSU salary schedules. These serious changes, combined with the need to answer questions that have arisen since the implementation of the policy, lead to the need for further clarification of the trustee professor assignments and the compensation policies attached to them. Therefore, the trustees' Blue Ribbon Committee is now recommending further amendments of the 1984 program, affecting only those executives who were appointed prior to the adoption of the newer provisions in November of 1992.

The proposed amendments to the 1984 Trustee Professor program include the elimination of the requirement for certification of continued employment past age 70 (in accordance with changes in federal age discrimination law), modification in the language regarding the funding for the program (to reflect changes in the CSU budget process), the specification of process for approving each trustee professor's work assignment, the addition of specific language addressed solely to work assignment for former

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chancellors, and a clarification of the language for establishing compensation for former chancellors, presidents and vice chancellors (in accordance with adjustments in the structure of CSU faculty salary schedules). Attachment C contains the original 1984 draft marked carefully to indicate changes that lead to the new policy proposed today. Attachment D contains a clean copy of the new policy if changes are approved by the board. In this new copy it was necessary to make certain minor changes in grammar and language construction to support the technical amendments, and the text has been adjusted to conform to the current rules of style for Board of Trustees' agenda items. Finally, Attachment D has been developed so that it will automatically accommodate subsequent changes in the budgeting process and salary schedule structure should they occur in the future.

Finally, after reviewing the executive compensation program, the Blue Ribbon Committee has confirmed the importance of providing the chancellor flexibility to customize compensation packages to recruit top executive leaders. As is currently the practice, the Board of Trustees would continue to approve executive compensation.

The following resolution is recommended for action:

RESOLVED, By the Board of Trustees of The California State University, that trustees support the recruitment of an exceptional chancellor to continue the legacy of Chancellor Munitz and will provide a salary in the range of \$250,000 as necessary; and, be it further

RESOLVED, That the new chancellor will have the flexibility to provide competitive salaries to recruit and retain a qualified and innovative leadership team; and, be it further

RESOLVED, That current and future executive salaries remain competitive to ensure recruitment and retention of competent and visionary executives critical to the success of the California State University; and, be it further

RESOLVED, That the executive compensation table in Agenda Item 2 of the September 16-17, 1997, meeting of the Committee on University and Faculty Personnel, be approved for implementation July 1, 1997, as part of a multi-year plan to compensate executives competitively; and, be it further

RESOLVED, That the July 1, 1997, annual housing levels recommended in Agenda Item 2 of the September 16-17, 1997, meeting of the Committee on University and Faculty Personnel, be approved; and, be it further

RESOLVED, That the revised CSU trustee professor policy and resolutions as presented in Attachment D of Agenda Item 2 of the September 16-17, 1997, meeting of the Committee on University and Faculty Personnel are hereby adopted; and, be it further

RESOLVED, That the trustees have confirmed the importance of providing the chancellor flexibility to customize compensation packages to recruit top executive leaders with final approval by the Board of Trustees.

BRIEF

Action Item

Agenda Item 2
November 13-14, 1984

COMMITTEE ON FACULTY AND STAFF RELATIONS

The California State University Trustee Professor

Presentation By

Caesar J. Naples, Vice Chancellor
Faculty and Staff Relations

Summary

This agenda item provides for the transition to and the placement into the faculty of a President, Chancellor, or a Vice Chancellor who has tenure as a faculty member and who resigns from his/her office.

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ATTACHMENT A (RFSR 11-84-07)

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Agenda Item 2

November 13-14, 1984

COMMITTEE ON FACULTY AND STAFF RELATIONS

The California State University Trustee Professor

Introduction

It has been customary for an individual who has been selected to serve as President of a CSU campus to receive a joint appointment as a full professor in a specified department on his/her campus. It has also been customary for the President to receive tenure as a faculty member during the first year of service on the campus. When the President resigns the executive position, he/she is entitled to assume the position of a tenured member of the faculty.

The purpose of this agenda item is to enable a President of a CSU campus, the Chancellor, or a Vice Chancellor who has received tenure as a faculty member to exercise retreat rights with tenure into a faculty position upon resignation of his/her office. The academic department would be augmented by a new faculty position for this purpose. This proposal is intended to replace the current California State University Trustee Professor program for those executives who have tenure. Other executives remain eligible for the existing Trustee Professorship.

Proposal

The former President, Chancellor, or Vice Chancellor who has tenure will occupy a position identified as Trustee Professor. The Office of the Chancellor will commit a 12-month faculty position at the level of Professor, Step 5, to be used by the former President. This position will continue to be funded by the Office of the Chancellor until the incumbent leaves the position. After age 70, the incumbent must be certified for continued employment in the same manner that any other faculty member must achieve certification.

The proposal provides that this position is specifically identified for the use of the former President, Chancellor, or Vice Chancellor alone; it is not given to the department on his/her home campus upon retirement or resignation. In the event that the former executive is to occupy a faculty position on a campus other than on his/her home campus, this provision would enable the individual to use the funded position on a different CSU campus. The decision to move from one campus to another must have the mutual agreement of the Trustee Professor and the President of the recipient campus.

The initial year of this program will be a transitional year to prepare for the return to an instructional position as Trustee Professor. For this initial year, funding from the Office of the Chancellor will be

provided to enable the former President to have a year's paid leave for the purpose of becoming current in the state of the art of the academic discipline in which he/she will teach and of preparing the coursework for return to the classroom. This leave shall have an interim salary for this transitional year only that is at the level of the approximate midpoint between the individual's salary as President and that of Professor, Step 5, 12 months.

The staff recommends the adoption of the following resolution:

RESOLVED, By the Board of Trustees of The California State University, that a faculty position, known as Trustee Professor, be specifically designated to be occupied by the tenured former President, Chancellor, or Vice Chancellor, and that it be funded by the Office of the Chancellor; and be it further

RESOLVED, That the initial year of service as a Trustee Professor be treated as a transitional year, and funds provided as salary for a year's leave of absence paid at the approximate midpoint between the salary of the former President, Chancellor, or Vice Chancellor, and that of Professor, Step 5, 12 months; and be it further

RESOLVED, That the faculty position be funded at the level of Professor, Step 5, 12 months for each year until the incumbent leaves the position. After age 70, certification for continued employment must be sought in the same manner as any faculty member.