

AGENDA

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Meeting: 9:30 a.m., Tuesday July 21, 2015
Glenn S. Dumke Auditorium

Hugo N. Morales, Chair
Silas H. Abrego, Vice Chair
Debra Farar
Lillian Kimbell
Peter J. Taylor

Consent Items

Approval of Minutes of Meeting of May 20, 2015

Discussion Items

1. Compensation for Unrepresented Employees, *Information*
2. Compensation for Executives, *Action*
3. Compensation Overview, *Information*

**MINUTES OF THE 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**

May 20, 2015

Members Present

Hugo N. Morales, Chair
Lillian Kimbell, Vice Chair
Douglas Faigin
J. Lawrence Norton
Timothy P. White, Chancellor
Lou Monville, Chair of the Board

Trustee Morales called the meeting to order.

Approval of Minutes

The minutes of January 28, 2015 were approved as submitted.

Executive Compensation: President – California State University Sacramento

Chancellor Timothy P. White proposed an annual salary of \$303,850, an annual housing allowance of \$60,000, and a monthly auto allowance of \$1,000 for Dr. Robert Nelsen as president of California State University Sacramento. He noted that Dr. Nelsen will receive standard benefits, including relocation benefits, for executives.

The Board adopted the item as submitted. (RUFP 05-15-01)

Trustee Morales adjourned the meeting.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Compensation for Unrepresented Employees

Presentation By

Lori Lamb
 Vice Chancellor for Human Resources

Summary

Information on the 2015-2016 Management Personnel Plan (MPP) and Confidential employee compensation will be shared with the Board. Chancellor Timothy P. White has authorized a two percent compensation pool for eligible unrepresented employees in the Management Personnel Plan and for Confidential employees effective July 1, 2015.

Background

General salary increases (or pools) for all represented and unrepresented employee groups in the California State University were made in 2007-08, and were followed by no changes for the subsequent five years. Adjustments since 2013-2014 are as follows:

Employee Group	2013-2014	2014-2015	2015-2016 (Effective July 1, 2015)
UAPD	1.34%	3%	2%
CSUEU	1.34%	3%	2%
CFA	\$80 per month	3%	In Negotiation
APC	1.34%	3%	2%
SETC	1.34%	3%	In Negotiation
SUPA	4.6%	2%	2%
IUOE	1.34%	3%	2%
UAW	1.34%	2%	2%
ELP – LA	0	4.34%	2%
ELP – MB ¹	n/a	n/a	In Negotiation
MPP	1.34%	3%	2%
Confidential	1.34%	3%	2%
Executives	0	3%	tbd

¹ This unit was established in 2014. The first contract is currently under negotiation.

The Board of Trustees approved the supplemental budget for the California State University for 2015-2016. That budget included 2% for compensation for all employees, totaling \$65 million. Monies identified in this item are included within that \$65 million, which has now been funded by Governor Brown. No new monies are expended through this item.

Effective July 1, 2015 the following represented employee groups will receive general salary increases pursuant to the terms of the respective collective bargaining agreements:

Union of American Physicians and Dentists (UAPD)	2%
CSU Employees Union (CSUEU)	2%
Academic Professionals of California (APC)	2%
Statewide University Police Association (SUPA)	2%
International Union of Operating Engineers (IUOE)	2%
United Auto Workers (UAW)	2%
English Language Program at Los Angeles	2%

Three bargaining units [California Faculty Association (CFA), State Employees' Trades Council - United (SETC), and the English Language Program (ELP) at Monterey Bay] are or will be in negotiations to determine 2015-2016 compensation.

The Board of Trustees has endorsed through these contracts and its budget a commitment to a two percent compensation increase pool for all represented California State University faculty and staff. In line with these negotiated increases, Chancellor White believes it is appropriate to apply the two percent compensation increase to our unrepresented employees. These groups include the Management Personnel Plan (MPP) employees, Confidential employees. Executives are handled in Item 2 as they required Board of Trustees action to implement.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Compensation for Executives

Presentation By

Lou Monville
Chair, CSU Board of Trustees

Lupe Garcia
Trustee, CSU Board of Trustees

Timothy P. White
Chancellor

Summary

Recommendations for executive compensation will be presented. Chancellor Timothy P. White is recommending a two percent compensation increase for system executives for fiscal year 2015-2016. Trustee Lupe Garcia is recommending a two percent compensation increase for the vice chancellor and chief audit officer for fiscal year 2015-2016. Board Chair Lou Monville is recommending a two percent compensation increase for Chancellor White for fiscal year 2015-2016.

Background

Executive positions include the chancellor, presidents, executive vice chancellors, and vice chancellors.

Governing policy:

In May 2012 the Special Committee on Presidential Selection and Compensation recommended and the trustees adopted the following policy on presidential compensation (RSCPSC 05-12-02):

- 1. The goal of the CSU continues to be to attract, motivate, and retain the most highly qualified individuals to serve as faculty, staff, administrators, and executives, whose knowledge, experience, and contributions can advance the university's mission.*
- 2. It is the continued intent of the Board of Trustees to compensate all CSU employees in a manner that is fair, reasonable, competitive, and fiscally prudent, in respect to the system budget and state funding.*

Corrected

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3. *To that end, the CSU will continue to evaluate competitive and fair compensation for all CSU employees based on periodic market comparison surveys.*
4. *In addition, the CSU will maintain and update annually a tiered list of CSU comparison institutions for presidential compensation. The list will take into account location, enrollment, budget, percentage of students receiving Pell Grants, six year graduation rates, research funding, and such other subjects as from time to time be deemed appropriate. Presidential compensation will be guided with reference to the mean of the appropriate tier of comparison institutions, together with an individual candidate's reputation for national policy leadership and length and depth of executive experience.*
5. *Notwithstanding the presidential compensation criteria enumerated in item 4 (above) and until the Board of Trustees of the California State University reexamines this policy in January 2014, when a presidential vacancy occurs, the successor president's base salary, paid with public funds, shall not exceed the previous incumbents pay. Salary compensation above the incumbent's base pay deemed necessary to retain the best leader shall be paid from foundations, and shall not exceed 10% of the base salary.*

Since this policy was adopted it has been strictly adhered to. Although permitted to do so eighteen months ago, the Board has not "reexamined" this policy.

The Board of Trustees approved the supplemental budget for the California State University for 2015-2016. That budget included 2% for compensation for all employees, totaling \$65 million. Monies identified in this item are included within that \$65 million, which has now been funded by Governor Brown. No new monies are expended through this item.

Compensation increases for managers and executives are being handled last in order of all other groups. Even faculty who are in negotiation have been receiving local campus based equity adjustments to help address known compensation issues.

Over the past five years, executives in the system have received compensation increases as shown below:

Employee Group	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Executives	0	0	0	0	3%	tbd

These increases are at or below what has been provided to other employee groups. For example, in 2013-14 all other employee groups received roughly an increase of 1.34 percent but the executives received zero. In 2014-2015, virtually all employee groups received a three percent compensation pool. Exceptions were for unique market areas such as university police (Statewide University Police Association – SUPA) and units where they also did not receive the 1.34 percent in 2013-2014 (English Language Program – California State University, Los Angeles).

In many employee groups at the CSU, salaries lag behind market comparisons. This observation is exaggerated in the executive employees, where the average gap approximates 25% behind market.

Based on the demonstrated need to continue to address executive compensation, Chancellor White, Trustee Garcia and Chair Monville recommend that this year the executives be given across-the-board two percent compensation increases. It will be Chancellor White's recommendation that, in connection with an overall compensation strategy, that the Board also "reexamine" in the next few months the presidential compensation policy and make such changes as are appropriate.

The base salary adjustments for the individuals listed below are recommended for Trustee approval effective July 1, 2015 or on the date of hire, whichever is later. Some executives receive supplemental compensation from auxiliary sources. The two percent will be calculated on the total compensation for the executive, including any auxiliary payment, and will be paid from state funds. In addition, executives hired after July 1, 2015 will receive the compensation increase effective on the date of hire to ensure they do not fall even further behind the market, and particularly in consideration of presidents who have been hired subject to the hiring freeze contained in current Board policy.

Chancellor White will continue to evaluate equity and market issues related to executive compensation and will bring further recommendations to the Board at a future date. Chancellor White will also review and bring recommendations to the Board related to a systemwide policy on compensation that addresses all faculty and staff, not just executives.

Recommended increases for Executives based on two percent are found in the following tables:

*Effective
 July 1, 2015*

Campus	Presidents	Current Annual Base Pay (State \$)	¹Current Supplemental Pay (Non-State \$)	Total Annual Salary	2% Annual Increase	Proposed Annual Base Pay (State \$)
Bakersfield	Horace Mitchell	\$293,550		\$293,550	\$5,871	\$299,421
Channel Islands	Richard Rush	\$283,250		\$283,250	\$5,665	\$288,915
Chico	Paul Zingg	\$287,885		\$287,885	\$5,758	\$293,643
Dominguez Hills	Willie Hagan	\$303,850		\$303,850	\$6,077	\$309,927
East Bay	Leroy Morishita	\$312,770		\$312,770	\$6,255	\$319,025
Fresno	Joseph Castro	\$307,970		\$307,970	\$6,159	\$314,129
Fullerton	Mildred García	\$334,235		\$334,235	\$6,685	\$340,920
Humboldt	Lisa Roszbacher	\$306,806		\$306,806	\$6,136	\$312,942
Long Beach	Jane Close Conoley	\$329,939		\$329,939	\$6,599	\$336,538
Los Angeles	William Covino	\$307,970		\$307,970	\$6,159	\$314,129
Maritime Academy	Thomas Cropper	\$257,500		\$257,500	\$5,150	\$262,650
Monterey Bay	Eduardo Ochoa	\$278,424		\$278,424	\$5,568	\$283,992
Northridge	Dianne Harrison	\$304,735	\$29,500	\$334,235	\$6,685	\$311,420
Pomona	Soraya Coley	\$300,760		\$300,760	\$6,015	\$306,775
Sacramento	Robert Nelsen	\$303,850 ²		\$303,850	\$6,077	\$309,927
San Bernardino	Tomás Morales	\$299,570	\$29,000	\$328,570	\$6,571	\$306,141
San Diego	Elliot Hirshman	\$362,000	\$50,000	\$412,000	\$8,240	\$370,240
San Francisco	Leslie Wong	\$308,499	\$26,251	\$334,750	\$6,695	\$315,194
San José	Mohammad Qayoumi	\$338,796	\$25,000	\$363,796	\$7,276	\$346,072
San Luis Obispo	Jeffrey Armstrong	\$361,400	\$30,000	\$391,400	\$7,828	\$369,228
San Marcos	Karen Haynes	\$278,685		\$278,685	\$5,574	\$284,259
Sonoma	Ruben Armiñana	\$299,914		\$299,914	\$5,998	\$305,912
Stanislaus	Joseph Sheley	\$278,100		\$278,100	\$5,562	\$283,662

¹Supplemental pay was previously approved by the Trustees and is paid from Foundation sources.

²Salary set May 19-20, 2015 – U&FP Item 1.

*Effective
 July 1, 2015*

System Executives	Title	Current Annual Base Pay (State \$)	¹ Current Supplemental Pay (Non-State \$)	Total Annual Salary	2% Annual Increase	Proposed Annual Base Pay (State \$)
Timothy White	Chancellor	\$392,300	\$30,000	\$422,300	\$8,446	\$400,746
Steve Relyea	Executive Vice Chancellor and Chief Financial Officer	\$319,300		\$319,300	\$6,386	\$325,686
Framroze Virjee	Executive Vice Chancellor and General Counsel	\$319,300		\$319,300	\$6,386	\$325,686
Loren Blanchard	Executive Vice Chancellor for Academic and Student Affairs	\$319,300 ²		\$319,300	\$6,386	\$325,686
Lori Lamb	Vice Chancellor, Human Resources	\$270,890		\$270,890	\$5,418	\$276,308
Garrett Ashley	Vice Chancellor, University Relations and Advancement	\$247,200		\$247,200	\$4,944	\$252,144
Larry Mandel	Vice Chancellor and Chief Audit Officer	\$236,484		\$236,484	\$4,730	\$241,214 ³

¹Supplemental pay was previously approved by the Trustees and is paid from Foundation sources.

²Salary set January 27-28, 2015 – U&FP Item 1.

³Salary will be recommended by the Chair of the Committee on Audit.

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that the individuals named in the salary tables cited in Item 2 of the Committee on University and Faculty Personnel at the July 21, 2015 meeting of the Board of Trustees shall receive the annual base salaries cited in the tables effective July 1, 2015 or the date of hire, as appropriate.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Compensation Overview

Presentation By

Timothy P. White
Chancellor

Lori Lamb
Vice Chancellor for Human Resources

Summary

Chancellor White and Vice Chancellor Lamb will provide general information regarding compensation challenges faced by the California State University (CSU) as background for the Board of Trustees as they review future proposals and plans related to this topic.

Background

Effective compensation practices are critical for all effective organizations. Best practices in compensation involve several components:

- 1) Articulate a compensation philosophy that guides compensation planning and implementation decisions;
- 2) Benchmark against appropriate peer institutions and/or markets in order to be competitive;
- 3) Use job matching sophistication (positions are variable and often vary by market);
- 4) Conduct internal equity reviews; and
- 5) Conduct regular analyses of compensation issues.

California State University is interested in moving further toward this best practice model and will ask the Board of Trustees in future meetings to make determinations consistent with this comprehensive approach. In addition, Human Resources will be working in the next year to expand our analysis to be more inclusive of total compensation issues.

Some specific challenges faced by the CSU in its current compensation practice include:

- No single market can be broadly applied to CSU
- Different types of analyses are necessary for different roles depending on the availability of reliable comparison data

- Scope of job responsibilities vary widely in many roles
- Size of institutions vary within the system
- Cost of living/geographic differences across the system are significant

Compensation challenges are significant for the CSU as the Board strives to optimize resources for the future. The results of the economic crisis linger and the overall health of the system relies upon its talented faculty and staff. Compensation issues are at the forefront of ensuring that the CSU can attract and retain highly qualified individuals to serve our students. Compensation decisions must also be made in a manner that is fair, reasonable, competitive, and fiscally prudent, with respect to the system budget and state funding.

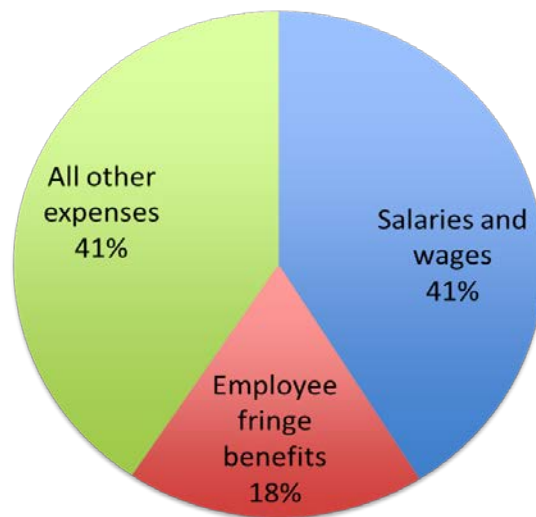
Further complicating the compensation challenges are other concerns that the system faces and will face in the future, including:

- Pension reform has limited pension benefits for newly hired faculty and staff;
- Increased costs of health care benefits; and
- Unfunded liabilities for retiree health care.

These challenges cannot be effectively addressed without considering impacts on salary, and the overall ability to recruit and retain a quality workforce.

Important general data on compensation in the CSU follows:

Compensation Costs as a Percentage of Total CSU Expense (2013)

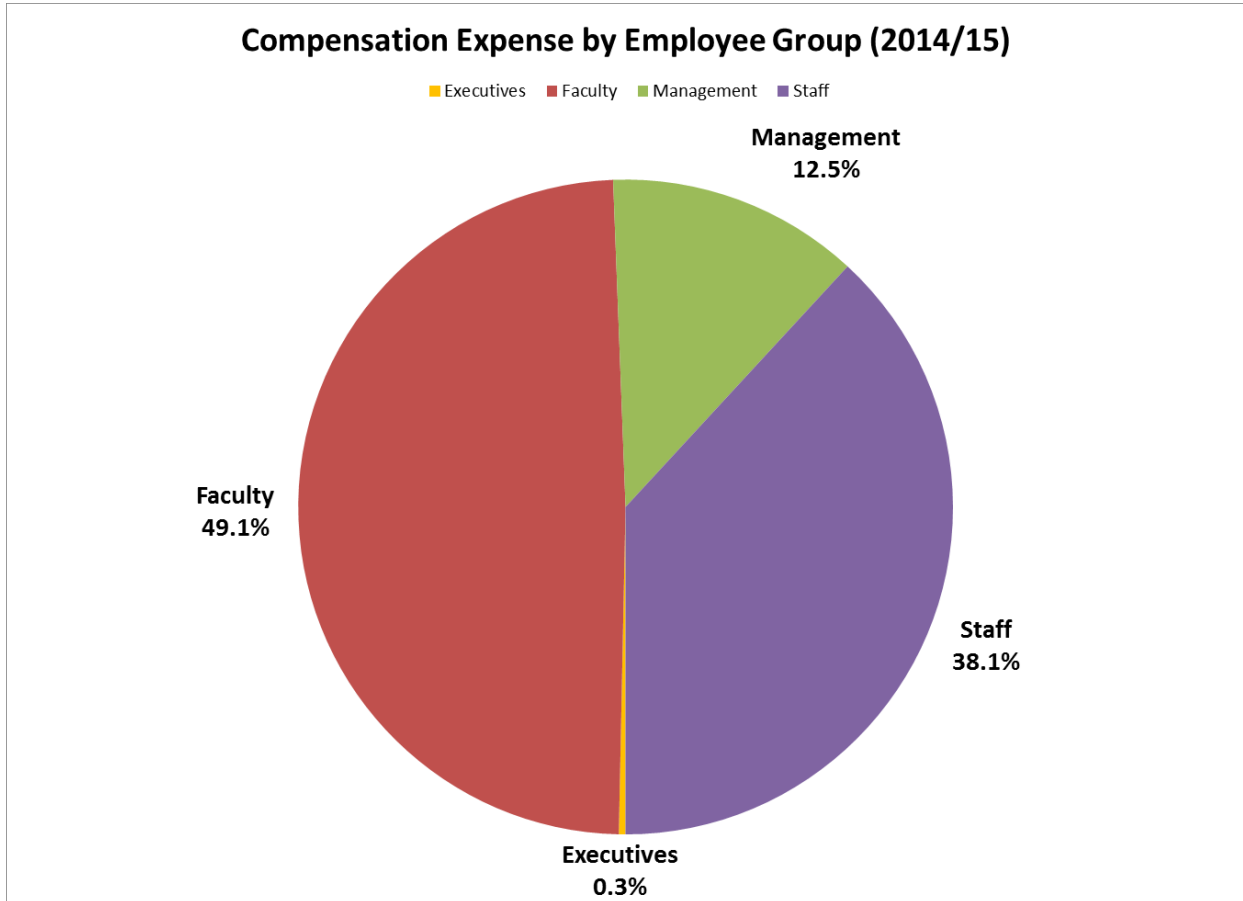


Source: National Center for Education Statistics, Fiscal Year ending June 30, 2013

This chart demonstrates that 59% of the total budget for the CSU is spent on salaries/wages and fringe benefit costs. The remaining 41% of the total CSU budget covers all other expenses such as interest, depreciation, supplies and services, information technology, physical plant maintenance and repair, student financial aid, and more. This presents a significant challenge since increases in compensation necessarily require spending less in these other mission critical areas.

It is important to note that the fringe benefit costs are climbing and will continue to do so as the cost of health care rises. These increased costs associated with health care, which is a significant portion of the overall costs, are paid exclusively by the CSU under our current benefit programs. Increased health care costs for the system over the last five years are as follows:

5-Year Increases in CSU Health Care Costs		
Calendar Year (Contract Period)	Government Code Health Employer Paid Cost Increase	CSU Annualized Health Care Cost Increases
2011	10.2%	\$36,407,000
2012	4.3%	\$15,086,000
2013	9.8%	\$36,226,000
2014	3.0%	\$12,066,000
2015	2.6%	\$11,040,000
Five-Year Increases in CSU Health Care Costs		\$110,825,000



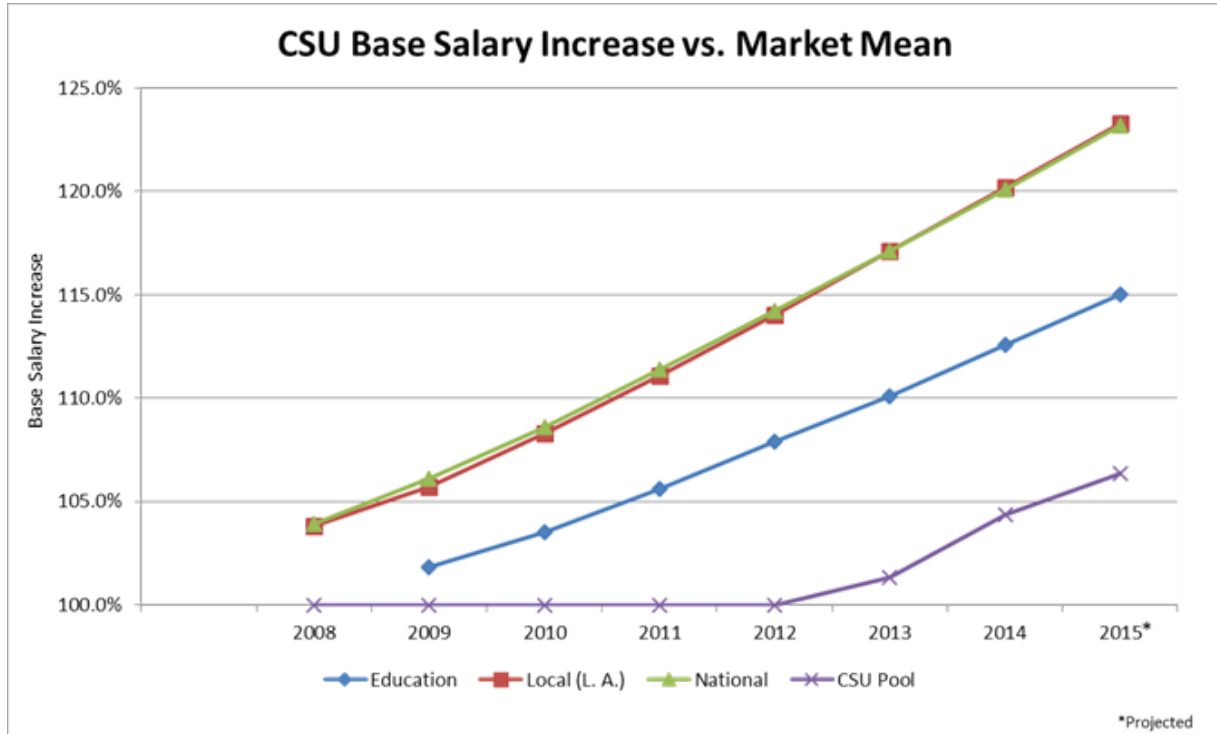
This chart demonstrates that, of the funds spent on compensation, roughly half is spent on faculty. For illustrative purposes, if the Board approved a 1% compensation increase for all employee groups the cost to the system is approximately \$32.8 million. Below is the cost to increase each group by 1%:

Faculty	\$16.1 million
Staff	\$12.6 million
Management	\$4.0 million
Executives	\$100,000

Historical General Salary Increases for the CSU by Employee Group

Employee Group	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
UAPD	0	0	0	0	0	1.34%	3%	2%
CSUEU	0	0	0	0	0	1.34%	3%	2%
CFA	0	0	0	0	0	\$80 per month	3%	In Negotiation
APC	0	0	0	0	0	1.34%	3%	2%
SETC	0	0	0	0	0	1.34%	3%	In Negotiation
SUPA	0	0	0	0	0	4.6%	2%	2%
IUOE	0	0	0	0	0	1.34%	3%	2%
UAW	0	0	0	0	0	1.34%	2%	2%
ELP – LA	n/a	n/a	0	0	0	0	4.34%	2%
ELP – MB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	In Negotiation
MPP	0	0	0	0	0	1.34%	3%	2%
Confidential	0	0	0	0	0	1.34%	3%	2%
Executives	0	0	0	0	0	0	3%	tbd

This historical view shows the years of the economic crisis in California and the efforts thus far by the CSU to begin addressing compensation issues. However, the chart below demonstrates that the gap between the CSU and other markets continues to grow despite these efforts.



Source: World at Work Salary Budget Surveys (2008-2015)

In summary, the data offers a compelling story for the need to continue addressing compensation issues in the CSU. Despite efforts in the past three years, the gap between CSU compensation and other relevant markets continues to grow.

Data on various employee groups and how they compare to their relevant markets is being developed. Human Resources is in the process of validating methodologies for determining comparisons to relevant markets. However, the following preliminary summary information, based only on base salaries, may be helpful in understanding the compensation challenges for the system:

Employee Group	Base Salary Average Lead/Lag
Faculty	-1.75%
Staff	
Physicians	-22.45%
Health Care Support	-15.31%
Academic Professionals	-8.30%
Operations and Support Services	3.66%
Skilled Trades	4.03%
Clerical and Admin Support	-16.88%
Public Safety	-35.04%
Technical and Support Services	-16.00%
Management	
Vice Presidents	-8.00%
Executives	-18.00%

The data above will be affected by the total compensation analysis to be conducted in the coming year. For example, for Operations and Support Services (generally custodians and administrative support) and Skilled Trades, compensation is already slightly above market and the value of fringe benefits are far above market. On the other hand, for Police Officers, salary is below market and the value of fringe benefits at the CSU are lower than what is available in other markets for law enforcement officers.

Some other trends in this market data are important to keep in mind as we move forward:

- 1) Longer-serving employees are further behind the market than recently-hired employees (this is true in faculty, managers and executives); and
- 2) Employees at the larger campuses are further behind the market than those at smaller campuses.

In addition to the general salary increases that have been implemented as noted above, other interventions are taking place to attempt to address these issues. For faculty, campuses are implementing local faculty equity programs. To date the expected systemwide expenditure for local faculty equity programs will be roughly \$14 million. In addition, many campuses are implementing programs for staff through In-Range Progressions (IRP). The expected systemwide expenditure for local IRP programs is \$4 million. There are mechanisms for Management Personnel Plan employees to address equity issues as needed. The only group where there have been no interventions to address equity are the executives.

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The data, taken together with current efforts underway, highlight the need for compensation to be thoughtfully and strategically addressed. As such, we will return in future meetings with additional analyses of overall compensation issues for the system, and with proposals for developing plans to begin to address the compensation challenges affecting CSU employees.