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PR06:008

FOR IMMEDIATE RELEASE:
JANUARY 18, 2006

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Westly Calls on UC Regents to Set Executive Pay Accountability, Openness Rules

SACRAMENTO – State Controller Steve Westly today called on the University of California Board of Regents to factor performance targets when compensating executives and require full public disclosure of all compensation.

“UC tuition has jumped 80 percent in just three years. I’m concerned that administrators are getting seven-figure retirement deals on top of six-figure salaries,” Controller Westly said. “Our priority should be the students in the classroom, not the executives in the boardroom. UC executives must be accountable to parents, students and taxpayers.”

The UC system has come under fire recently after media reports of lavish compensation packages for administrators. Cash compensation of \$871 million was given to employees above and beyond salaries, often with no public disclosure.

The Regents are holding meetings this week in La Jolla to address compensation issues.

Controller Westly called on the Regents to establish compensation policies that:

- Tie executive compensation to specific performance targets
- Require public disclosure of all executive compensation in easy-to-understand language that outlines all salaries, benefits and perquisites

Controller Westly said the new executive compensation policies that were proposed yesterday by the Securities and Exchange Commission could guide the Regents in developing their own.

“The UC should take a cue from Wall Street now and not wait for the type of meltdown that drove corporations to finally overhaul their compensation practices,” Controller Westly said.

Please see the attached letter from Controller Westly to the Regents.

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January 18, 2006

Gerald L. Parsky
Chair, University of California Board of Regents
Aurora Capital Partners
10877 Wilshire Blvd., Suite 2100
Los Angeles, CA 90024

Dear Regent Parsky:

Thank you for holding meetings to discuss the recent reports of large and sometimes privately awarded compensation packages for top University of California system administrators.

In addressing the UC's compensation practices, I ask that you create policies that require:

- Executive compensation to be based in part on whether specific performance targets are met.
- Public disclosure of all executive compensation in easy-to-understand language that outlines all salaries, benefits and perquisites.

UC tuition has jumped 80 percent in just three years. I'm concerned that administrators are getting seven-figure retirement deals on top of six-figure salaries at the same time. Our priority should be the students in the classroom, not the executives in the boardroom.

I am especially concerned about reports of secret meetings and undisclosed pay and perquisites. You can't have accountability without transparency.

Our university executives should be accountable to parents, students and taxpayers.

As California's Chief Financial Officer, a board member of two of the nation's largest pension funds (CalPERS and CalSTRS) and a former corporate executive, I have been leading a tough fight against excess and secrecy in corporate executive compensation. The billions of dollars in losses by shareholders of companies like Enron and Tyco are a testament to what happens without proper accountability and transparency.

Yesterday, the Securities and Exchange Commission voted on executive compensation policies that could provide guidance as you develop your own.

The UC should take a cue from Wall Street now and not wait for the type of meltdown that drove corporations to finally overhaul their compensation practices.

I offer my office's and my personal assistance in helping you ensure accountability and transparency in the UC's compensation practices.

Sincerely,

STEVE WESTLY
California State Controller

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