

**ICOC Governance Committee Meeting of July 29, 2005
Agenda Item 6
Compensation Program**

Background

Under Health and Safety Code Section 125290.45(b)(4), the Independent Citizens' Oversight Committee is authorized to set compensation for the Chairperson, Vice Chairperson, President and other officers and for the scientific, medical, technical, and administrative staff of the California Institute for Regenerative Medicine (CIRM). Compensation is to be set within the range of compensation levels for executive officers and scientific, medical, technical and administrative staff of medical schools within the University of California and nonprofit and academic and research institutions. See * for specific language.

Information

In March 2005, CIRM entered into a six-month agreement with the University of California, San Francisco to acquire the services of Alexandra Campe Degg. Ms Degg has an extensive background in human services work with UCSF and has been acting as CIRM's Human Resources Officer.

Salary Range Program

One of Ms Degg's responsibilities has been to develop a proposal for compensation that could be presented to the ICOC for review and approval. As a first step, she designed the salary range program shown in Exhibit A. While organizational salary ranges vary from company to company, among different industries and geographic regions, the CIRM salary range program was based on typical structures for California education and government organizations for non-unionized positions. The CIRM salary range program allows for slotting of multiple positions within one level and limited the levels to ten in order to consider the maximum size of fifty employees at CIRM. Each level provides a salary range of 80% range reflecting the span of the minimum salary to the maximum salary of a given level. For example, Level 1 has a minimum of \$40,000 and a maximum of \$72,000 (80% of \$40,000 is \$32,000 which when added to \$40,000 equals the maximum of the salary range for the first level). In addition, each higher range is based on an increase of 25%. For example, Level 1 has a minimum of \$40,000 and Level 2 has a minimum level of \$50,000 (25% of 40,000 is \$10,000 which when added to \$40,000 equals the minimum level of the salary range for the second level).

This is considered an open range salary program. Employees are hired into one level based upon the type of job they are given and at a salary level within that range based on the types of skills and knowledge that they bring to the job.

Employees then progress through the level based on performance and between the ranges based on significant expansion of duties and responsibilities.

Salary Survey

The next step is to populate the salary program with CIRM positions based upon the type of work that is to be performed and the skills and knowledge that applicants must bring to the job. To do so, CIRM has hired an outside consultant, Dee DiPietro, recommended by Spencer Stuart to create and implement a salary survey to solicit data that can be used to develop a proposed Compensation Program. The purpose of the survey was to benchmark CIRM positions against the outside labor market of applicable organizations. The data will be used to make adjustments to the salary range structure and be used to populate the structure with all classifications used by CIRM.

In May, data was requested from all nine UC Campuses, UC Office of the President, and 20 targeted California private research institutes based on their participation in the Association of Independent Research Institutes (AIRI). Eight UC Campuses and twelve Institutes responded.

The responses provide aggregate results (Exhibit B) from both UC and Private Research Institute data compared with best matches of data for publicly held biotechnology companies from Radford Associates. The Radford survey data is being used to provide a framework for the UC and Private Research Institute results and not as a specific benchmark for setting salaries at CIRM. The Radford Associates executive data was selected for companies with 50-149 employees due to the existence of a national labor market at senior levels where compensation is more closely tied to company size. The Radford Associates staff data was selected for Northern California companies as staff level compensation is more closely tied to geographic region and not as reflective of company size.

Preliminary Results

In Exhibit C, CIRM position titles have been added to the salary range levels based on the salary survey data received to date and to allow for movement within the specific level. For example, in Exhibit B the salary survey data reflected the following for the General Counsel position:

UC 50th-75th Percentile range \$172,600-\$181,650

Private Research Institute-50th-75th Percentile range \$225,000-\$257,500.

The decision to slot the General Counsel position into level 7 with a range of \$152,500-\$274,500 was based on the salary survey data and allowing for merit increases and labor market changes over time. Level 6 maximum salary is

\$219,000 thus not allowing for CIRM to pay a General Counsel candidate in the 75th percentile of the Private Research Institute data, if necessary.

Exhibit D contains a listing of all CIRM staff hired to date. It includes the name, position title, start date and salary. The salaries are consistent with the information in the Exhibit C.

Next Steps

Data has also been requested from the remaining institutions that meet the specific definition written in Proposition 71. The additional institutions include Stanford, California Institute of Technology, University of Southern California, and Cedars-Sinai Medical Center. In addition, the survey has been sent to the five UC Schools of Medicine for position matches within the School of Medicine only. The original survey was sent to UC and reflected the entire campus's positions. Once all the data is received it will be reviewed and analyzed in conjunction with the proposed salary range structure in Exhibit C to assess if any further changes are needed before preparing a final recommendation for the ICOC to consider.

Summary

The Compensation Program at CIRM will include a salary structure that provides for ten levels of pay ranges. Within each level, a minimum and maximum salary level will be established. Initial salary range level and specific salary for new hires would be set based on relevant labor market data, duties and responsibilities of the position, skills, education and experience the individual brings to the position. The difference between the initial pay level and the maximum for that range would allow for merit increases over time.

The remaining data is expected to be received by mid-August 2005 in time to present to the Governance Subcommittee at its next meeting.

*Health and Safety Code Section 125290.45(b)(4) states that "...the ICOC shall set compensation for the chairperson, vice chairperson, and president and other officers, and for the scientific, medical, technical, and administrative staff of the institute within the range of compensation levels for executive officers and scientific, medical, technical, and administrative staff of medical schools within the University of California system and the non-profit academic and research institutions described in paragraph (2) of subdivision (a) of Section 125290.20."