



# Senior Management Group

## Appointment and Compensation

Approved September 18, 2008

Amended March 19, 2009, September 16, 2010, and September 18, 2013

**Responsible Officer:** Vice President–Human Resources

**Responsible Office:** Human Resources

**Effective Date:** November 14, 2013

**Next Review Date:** The Responsible Officer will review the policy annually for update purposes and will conduct a full review at least every three years.

**Who Is Covered:** All employees whose position is designated to be in the Senior Management Group (SMG), inclusive of Officers of the University per *Regents Standing Order 100.1.a*, and non-SMG members appointed to an SMG position on an acting or interim basis.

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## I. POLICY SUMMARY

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This policy provides direction and authority for creating and eliminating positions in the Senior Management Group (SMG), for appointing SMG members to those positions and for establishing, approving, reviewing and revising any salary or other compensation terms for SMG members.

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### II. POLICY DEFINITIONS

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**Career Appointment:** An appointment established at a fixed or variable percentage of time at 50 percent or more of full-time that is expected to continue for one year or longer.

**Compensation:** For purposes of University employment, “compensation” is defined in the *Policy on Definition of Total Compensation* (Regents Policy 7200).

**Exception to Policy:** An action that exceeds what is allowable under current policy or that is not expressly provided for under policy. Any such action must be treated as an exception and must be reviewed and approved by the Regents.

**Executive Officer:** The University President, Chancellor, or Laboratory Director.

**Market Reference Zone:** A unique range of base salary for each functional position in the Senior Management Group.

**Performance:** The fulfillment of job responsibilities and individual goals and objectives assigned to the incumbent.

**Retroactive Action:** An action that is effective more than 45 days earlier than the date it is approved.

**Senior Management Group (SMG):** Individuals whose career appointment is in the Senior Management Group personnel program. Employees with a dual academic appointment at 0% and an appointment to a Senior Management Group position will be considered to possess a career appointment in the Senior Management Group.

**SMG Level One:** The position of President, all SMG positions that directly report to the Regents and/or the President, and the Chief Executive Officers of the medical centers.

**SMG Level Two:** All SMG positions that are not in SMG Level One.

**Top Business Officer:** Executive Vice President–Business Operations for the Office of the President, Vice Chancellor for Administration, or the position responsible for the location’s financial reporting and payroll as designated by the Executive Officer.

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### III. POLICY TEXT

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#### ***A. The Senior Management Group (SMG)***

The Senior Management Group is a personnel program that includes certain leadership positions in the University system.

“Level One” of the SMG includes the position of President, all SMG positions that directly report to the Regents and/or the President, and the Chief Executive Officers of the medical centers. All other SMG positions are “Level Two” positions.

The Regents, upon the recommendation of the President, must approve adding a position to the SMG or eliminating an SMG Level One position. The President may approve adding an SMG position at a location when the position already exists at

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another location. The President, after consultation with the Chair of the Committee on Compensation, may approve the elimination of an SMG Level Two position.

### ***B. Officers of the University***

Officers of the University are those positions identified in *Regents Standing Order 100.1.a*. Officers of the University appointed to the Senior Management Group are subject to the terms of this policy according to whether they are SMG Level One or SMG Level Two. If an Officer of the University is appointed to a personnel program other than the SMG, then the approval authority for all appointment and compensation actions is as described in Section IV.C. of this policy.

### ***C. Market Reference Zones***

A market reference zone (MRZ) is a unique range of base salary for each functional position in the Senior Management Group. SMG positions responsible for the same set of core functions will be assigned to the same MRZ. For example, the individuals performing the functions of a Vice Chancellor–Research at any location in the University system will be assigned to the same MRZ, even if their precise job titles are not identical.

The MRZ for a particular functional position reflects market data for base salary. The MRZ displays the 25th, 50th, 60th, 75th and 90th percentile base salary in the defined competitive market for that functional position. The market is defined as those organizations that are similar to the University in size and complexity and are therefore the organizations with which the University competes for talent.

#### **1. Establishment of Market Reference Zones (MRZs)**

The Regents have approved a market reference zone for each functional position in the SMG. Each MRZ reflects an assessment of the scope of responsibilities, complexity and breadth of job functions, experience requirements and other relevant factors for a particular functional position. Additional MRZs may be added by the Regents.

#### **2. Purpose of Market Reference Zones**

Market reference zones allow the University to administer and manage the salaries of SMG members in a manner that is competitive with the relevant market for each functional position, foster appropriate internal consistency, and facilitate budget control.

#### **3. Review of and Adjustments to Market Reference Zones**

The Office of the President–Human Resources will review each MRZ annually and compare it to the market survey information. If an MRZ no longer reflects the base salaries offered in the relevant market for that functional position, a recommendation to adjust the MRZ may be made to the President. The President will recommend MRZ adjustments to the Committee on Compensation and the full Board for approval.

An adjustment to an MRZ will not automatically result in a change in the base salary paid to an SMG member who holds a position assigned to that MRZ.

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Rather, any adjustments to an incumbent SMG's base salary will follow the process outlined in Sections E. and F., below, as applicable.

### 4. Level of Salary within the MRZ

The University's ability to offer its leaders compensation terms that are competitive in the relevant regional and national marketplaces ultimately affects its ability to attract, motivate and retain the talent necessary to achieve the University's mission. The essential first step in establishing competitive compensation terms is to assign an appropriate base salary within the applicable MRZ. A number of factors will be considered to determine the appropriate base salary within the applicable MRZ, including, but not limited to, documented sustained performance and contributions, internal peer comparability, external market comparability, and scope and breadth of experience and responsibilities. Any adjustments to base salary will follow the process outlined in Sections E. and F., below.

Generally, salaries near the 25th percentile of the MRZ will be assigned to SMGs who may require additional development, growth, or time in order to become fully proficient in the position. In addition, a salary near the 25th percentile of the MRZ may be assigned where the SMG's position is narrower or less complex in scope than that of peer positions or the benchmark position(s) used in surveys of the applicable market.

Salaries near the 50th percentile of the MRZ will be assigned to SMGs who have significant experience in the position, who are proficient in the required skills, who are adept at managing the typical responsibilities, and who have documented and sustained high levels of performance.

Salaries near the 75th percentile of the MRZ will be assigned to SMGs who are very experienced and have a unique skill set. In addition, a salary near the 75th percentile may be assigned where the SMG's position is moderately broader or more complex in scope than that of peer positions or the benchmark position(s) used in surveys of the applicable market. A salary near the 75th percentile may also be assigned in situations where the talent pool for the position is limited and/or very competitive.

A salary near the 90th percentile of the MRZ will be assigned to SMGs who have highly specialized credentials, professional accomplishments and expertise that set them apart from internal and external peers. In addition, a salary near the 90th percentile may be assigned where the SMG's position is highly complex and significantly broader in scope than that of peer positions or the benchmark position(s) used in surveys of the applicable market. A salary near the 90th percentile may also be assigned in situations where a very scarce candidate pool for the position exists and unique skill sets are critical.

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### ***D. Appointments***

#### 1. Criteria for Appointment

SMG positions must be filled through the appointment of candidates who, in the judgment of the hiring authority, possess the qualifications required to perform the duties of the position most effectively.

#### 2. Authority for Individual Appointments to Level One SMG Positions

Individual appointments to all Level One SMG positions must be endorsed by the President and approved by the Regents. This includes situations where a member of the SMG or some other personnel program is appointed to a Level One SMG position on an acting or temporary basis.

#### 3. Authority for Individual Appointments to Level Two SMG Positions

Individual appointments to Level Two SMG positions must be approved under the appropriate approval authority as described in Section IV.C. of this policy. This includes situations where a member of the SMG or some other personnel program is appointed to a Level Two SMG position on an acting or temporary basis.

#### 4. Nature of Appointment

An SMG appointee serves at-will and, therefore, an SMG appointment may be terminated at any time with or without cause. An SMG member's at-will status cannot be altered except by amendment of this policy.

An appointment as an SMG member is normally at 100 percent time. A career appointment may be at less than 100 percent time, but cannot be less than 50 percent time.

#### 5. Assignment of Titles

Each SMG position will be assigned a working title that conveys the organizational level of the position and the nature and scope of the responsibilities assigned. That working title may not always be identical to the functional position title used to define the MRZ to which the SMG's position belongs. Major changes to SMG titles must be approved by the President. Minor changes to SMG titles may be approved by the Chancellor, Laboratory Director, or Executive Vice President – Business Operations for their respective locations.

#### 6. Appointment Salary

At the time of appointment to an SMG position, the individual will be assigned a base salary within the applicable MRZ that is consistent with the criteria described in Section III.C.4.

The appointment salary for any Level One SMG requires the endorsement of the President and the approval of the Regents. Approval authority for a Level Two SMG's appointment salary depends on the proposed base salary and the amount of any increase over the prior incumbent's base salary as stated in Section IV.C. of this policy.

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### **E. Salary Increases**

Any increase in base salary for a Level One SMG requires the endorsement of the President and the approval of the Regents

The approval authority for increases in base salary for a Level Two SMG depends upon the base salary plus the amount of the proposed increase as described in Section IV.C. of this policy.

#### 1. Systemwide Salary Program Increases (e.g., merit increases)

SMG members are eligible for consideration for systemwide salary program increases to base salary, such as merit increases, in accordance with Universitywide guidelines. The process for making such increases will be part of the larger budgeting process for UC. Eligibility criteria and administrative details will be provided when such increases are implemented.

The amount of an individual SMG's merit increase will be based on the following factors:

- i. The SMG member's annual written performance appraisal and the SMG's contributions measured against objectives that were assigned at the beginning of the performance period.
- ii. The position of the SMG member's current base salary within the applicable MRZ and his/her base salary relative to internal peers in that MRZ.
- iii. The availability of approved merit funding.

If an SMG is receiving an administrative stipend, the stipend will not be included in the determination of the base salary for purposes of calculating his/her merit increase.

#### 2. Market-Based Increases

A market-based increase in an SMG's base salary may be appropriate in a variety of situations, including, but not limited to, the following:

- To better align an SMG's base salary with the criteria described in Section III.C.4., above, given the SMG's skills, experience, and contributions.
- To correct internal inequities in the relative placement of SMGs in their MRZ (e.g., in situations where new appointees with skills and experience comparable to incumbents who have been appointed with higher base salaries).
- When there has been a significant and permanent expansion in the scope and/or complexity of an SMG's position.
- To retain an SMG who is considered a finalist for another position and the SMG's departure would result in severe operational, service, or functional disruption in the University's ability to accomplish its mission. Increases for this reason are rare.

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To be eligible for a market-based increase in base salary, the SMG's documented sustained performance should be rated at least "*Satisfactory Performance*."

### **3. Order of Salary Increases**

If more than one salary increase is effective on the same date, actions will be processed in the following order:

1. Apply a market-based increase, and then
2. A systemwide salary program increase

### ***F. Decrease in Base Salary***

In certain circumstances, a decrease in an SMG's base salary may be warranted (e.g., when an SMG's position has been reduced in scope or complexity). Any decreases in base salary for a Level One SMG must be approved by the President with the concurrence of the Chair of the Committee on Compensation. Any decreases in base salary for a Level Two SMG must be approved by the President for the Office of the President, and the Chancellor or Laboratory Director for their respective locations.

### ***G. Potential Transfers Between Locations (Campus, Laboratory, Office of the President)***

A potential transfer between locations occurs when an SMG member considers accepting another comparable SMG position (typically a position in the same MRZ) at a location other than his/her present location. Any salary action recommendations will be based on the concepts regarding placement in the applicable MRZ presented in Section III.C.4., above, including documented sustained performance and contributions. In such an event, and following the SMG member's tentative acceptance of the offer from the new location, the SMG member's current location will be provided with an opportunity to meet, but not exceed, the salary offer of the new location for a comparable position. This section of the policy does not apply to situations in which an SMG member is contemplating another position that is not deemed to be comparable to his/her current position (e.g., a promotional opportunity or significant departure from the current position). The intent of this arrangement is to emphasize the career opportunities being presented in each offer and de-emphasize the competing salary offers. The Vice President–Human Resources (or designee) will serve as the broker of such transfer considerations and discussions.

Any compensation actions for a Level One SMG that result from these negotiations must be endorsed by the President and approved by the Regents. For compensation actions for a Level Two SMG that result from these negotiations, the applicable approval authority will depend upon the proposed base salary (including any proposed increase) as set forth in Section IV.C. of this policy.

### ***H. Administrative Stipends for Temporary Assumption of Significant Additional Responsibilities***

An SMG member may be asked to temporarily assume responsibilities in addition to those already associated with his/her SMG position. While a temporary assumption

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of additional responsibilities does not typically warrant an increase in compensation, an increase may be warranted for Level Two SMG members in situations where the additional responsibilities are significant and the SMG member is held fully accountable for the additional responsibilities. In these circumstances, the Level Two SMG member may receive an administrative stipend so long as his/her documented performance appraisals warrant this additional compensation. Administrative stipends may not be approved for a Level Two SMG member for any other purpose. In addition, a Level Two SMG member may not receive more than one stipend of any kind at any time. Level One SMG members are not eligible for administrative stipends.

An administrative stipend for a Level Two SMG member must be approved by the applicable approval authority depending upon the SMG's existing base salary plus the amount of the proposed administrative stipend; that combined amount will be considered the proposed base salary for purposes of this determination, using the criteria outlined in Section IV.C. of this policy.

An administrative stipend may initially be approved for a period of up to twelve months in duration. One extension of an administrative stipend may be granted by the same approval authority that initially approved the administrative stipend, provided that the extension is for a period not to exceed twelve months. Any additional extension would be an exception to policy. The purpose of such limitations is to ensure that adequate measures are undertaken to install permanent stewardship of senior leadership positions.

The amount of any administrative stipend should be commensurate with the additional responsibilities being assumed by the SMG member. An administrative stipend will not be included in the determination of the base salary for purposes of calculating an incumbent's increase under a systemwide salary program.

### ***I. Compensation Restriction***

An SMG member who is appointed at 100 percent time must not receive additional cash compensation above his/her base salary from an entity managed exclusively by the University (e.g., the Office of the President, the Lawrence Berkeley National Laboratory, a UC campus, or a UC medical center) for any work or services, regardless of source or type of payment, except in the following limited circumstances:

1. Payments for teaching University Extension courses (UNEX), provided that such payments are approved as set forth in Section IV.C. of this policy.
2. Administrative stipends payable as set forth in Section H. of this policy.
3. Incentive awards payable from an incentive plan that has been approved in the manner required by *Senior Management Group Incentive Awards (Regents Policy 7712)*.
4. SMG members who are Academic Deans and Provosts may receive up to a 1/12 payment for summer research based on their annual SMG salary, subject to approval as set forth in Section IV.C. of this policy. In such instances, accrued



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vacation proportionate to the research days worked will be forfeited for the year in which the compensation for research is received.

Payments and income derived through Outside Professional activities are permitted, provided that such activities have been approved in accordance with *Senior Management Group Outside Professional Activities (Regents Policy 7707)*.

### **J. Home Loan Eligibility**

All SMG members are authorized to participate in the University Home Loan Program (Program) under the terms of *Policy on University of California Mortgage Origination Program (Regents Policy 5305)*. Although this policy provides the approval necessary for participation, an SMG member still must be designated to participate. The President may designate the participation of a Level One SMG. The Chancellor, Laboratory Director, or Executive Vice President – Business Operations may designate a Level Two SMG for participation at their location based on the location's determination of its recruitment and retention needs. The authority to designate individuals for participation cannot be delegated. Neither authorization to participate nor approved designation for participation in the Program constitutes loan approval. Loan approval is contingent upon satisfaction of all Program requirements. Program parameters can be viewed at <http://www.ucop.edu/loan-programs/loan-programs/index.html> with further details available from the Director–Office of Loan Programs or the local Housing Programs Representative.

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## IV. APPROVAL AUTHORITY

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### **A. Implementation of the Policy**

The Vice President–Human Resources is the Responsible Officer for this policy and has the authority to implement the policy. The Responsible Officer may apply appropriate interpretations to clarify policy provided that the interpretations do not result in substantive changes to the underlying policy. The Office of the President Human Resources will work with the Responsible Officer of each policy to implement each policy.

### **B. Revisions to the Policy**

The Regents is the Policy Approver for this policy and has the authority to approve any policy revisions upon recommendation by the President.

The Vice President–Human Resources has the authority to initiate revisions to the policy, consistent with approval authorities and applicable *Bylaws* and *Standing Orders* of the Regents.

The Executive Vice President–Business Operations has the authority to ensure that policies are regularly reviewed and updated, and are consistent with the *Principles for Review of Executive Compensation* (Regents Policy 7201) and other governance policies.

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### C. *Approval of Actions*

All actions within this policy must be approved in accordance with the following requirements. All actions that are exceptions to this policy (including retroactive actions) or not expressly provided for under any policy must be approved by the Regents.

#### 1. SMG Level One

For Level One SMG members, the Regents' approval is required for all appointment and compensation actions, except as otherwise specifically provided for in this policy.

#### 2. SMG Level Two

For Level Two SMG members, the approval authority for all appointment and compensation actions within this policy, except as otherwise specifically provided for in this policy, depends on two factors: (1) the placement of the proposed base salary within the position's MRZ, and (2) whether an increase of ten percent or more is being proposed.

If the base salary plus any administrative stipend will be below the 60<sup>th</sup> percentile of the position's MRZ, the approval of the Chancellor, Laboratory Director, or Executive Vice President – Business Operations is required for SMGs at their respective locations. If the base salary plus any administrative stipend will be at or above the 60<sup>th</sup> percentile of the position's MRZ, the President's approval is required. If the base salary plus any administrative stipend will be at or above the 75<sup>th</sup> percentile of the position's MRZ, the Regents' approval is required. Notwithstanding the foregoing, for systemwide salary increases, the approval of the Chancellor, Laboratory Director, or Executive Vice President–Business Operations is required for SMGs at their respective locations where the SMG's resulting base salary will be below the 60<sup>th</sup> percentile of the position's MRZ; the approval of the President will be required where the resulting base salary will be at or above the 60<sup>th</sup> percentile of the position's MRZ.

Additionally, the next higher level of approval authority will be required if the proposed action will:

- a. Result in an incumbent receiving an increase in base salary of ten percent or more in that position over the course of a calendar year, excluding any increases received as part of a systemwide salary program; or
- b. Result in a new appointee receiving a base salary that exceeds the previous incumbent's base salary by ten percent or more.

#### 3. Officers of the University

For non-SMG Officers of the University, the President must approve all compensation and appointment actions, except that increases received as a part of a systemwide salary program may be approved by the Chancellor, Laboratory Director, or Executive Vice President – Business Operations as applicable.

#### 4. Exclusions

This policy does not apply to

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- a. incentive awards, which are governed by *Incentive Awards (Regents Policy 7712)*, or
- b. settlement or separation agreements with SMG members or Officers of the University, which are governed by the *Policy on Settlement of Litigation, Claims, and Separation Agreements (Regents Policy 4105)*.

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## V. COMPLIANCE

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### A. *Compliance with the Policy*

The following roles are designated at each location to implement compliance monitoring responsibility for this policy:

The Top Business Officer and/or the Executive Officer at each location will designate the local management office to be responsible for the ongoing reporting of policy compliance, including collecting all relevant compensation package activity, and creating specified regular compliance reports (such as a monthly compensation compliance report) for review by the location's Top Business Officer.

The Top Business Officer establishes procedures to collect and report information, reviews the specified regular compliance reports (such as a monthly compensation compliance report) for accuracy and completeness, reviews policy exceptions and/or anomalies to ensure appropriate approval has been obtained, and submits a copy of the compliance report to the Executive Officer for signature.

The Executive Officer is accountable for monitoring and enforcing compliance mechanisms, ensuring monitoring procedures are in place, approving the specified regular compliance reports (such as a monthly compensation compliance report), and sending notice of final approval for the reports to the Senior Management Compensation Office, Top Business Officer, and Local Resources.

The Vice President–Human Resources is accountable for reviewing the administration of this policy. The Senior Vice President–Chief Compliance and Audit Officer will periodically audit and monitor compliance to these policies, and the process and results will be reported annually to senior management and the Regents through the Committee on Compensation.

### B. *Noncompliance with the Policy*

Noncompliance with the policy is handled in accordance with the Regents' *Guidelines for Corrective Actions Related to Compensation Practices* and *Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews*.

Noncompliance is reported in the monthly compliance report from each location as approved by the Executive Officer and reviewed by the Senior Vice President–Chief Compliance and Audit Officer and the Regents at least three times per fiscal year.

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### VI. REVISION HISTORY

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As a result of the issuance of this policy, the following document is rescinded as of the effective date of this policy and is no longer applicable:

- *Senior Management Group Salary and Appointment* (Regents Policy 7701), dated March 1, 2009

The following document was rescinded as of March 1, 2009:

- *Senior Management Group Salary and Appointment* (Regents Policy 7701), effective September 1, 2008

The following documents were rescinded as of September 1, 2008, the originally approved effective date of *Senior Management Group Salary and Appointment* (Regents Policy 7701):

- *Personnel Policies for Senior Managers II-37 (Establishment of Senior Management Positions, Titles, Salary Grades)*, dated July 1, 1996
- *Personnel Policies for Senior Managers II-30 (Salary)*, dated July 1, 1996
- *Personnel Policies for Senior Managers II-21 (Appointment)*, dated July 1, 1996
- *Delegation of Authority 2113* (as it applies to SMG members), dated February 14, 2000

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### VII. IMPLEMENTATION PROCEDURES

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The Responsible Officer may develop procedures or other supplementary information to support the implementation of this policy. Such supporting documentation does not require approval by the Regents.