

Senior Management Group Hiring Bonus

Approved February 9, 2009

Amended 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: External candidates for Senior Management Group (SMG) positions. The Hiring Bonus policy and procedures do not apply to external candidates for Senior Management Group positions at the Lawrence Berkeley National Laboratory (LBNL). See *LBNL Hiring Bonus Program*. (For a copy of the program, contact the LBNL Human Resources Department.)

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I. POLICY SUMMARY

This policy provides the direction and authority for granting hiring bonuses to external candidates as part of the University’s hiring offer. Hiring bonuses support the University’s objective to attract talented external candidates for Senior Management Group (SMG) positions. The hiring bonus—a non-base building cash payment—is intended to make the hiring offer market-competitive and to assist in securing the candidate’s acceptance of the offer.

II. POLICY DEFINITIONS

Difficult-to-Fill Positions: Positions that may remain open despite extensive recruiting efforts due to high competitive demand, as evidenced by factors such as labor market shortages and aggressive growth in compensation levels.

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 or the Chancellor.

Hiring Bonus: A monetary payment intended to provide an external candidate an additional inducement to the offer of employment.

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.

III. POLICY TEXT

A. Eligibility

To be eligible for a hiring bonus, a candidate for a Senior Management Group position must meet all the following eligibility conditions. Eligibility is restricted to:

1. Qualified external candidates who are offered employment for the benefit of the University.
2. Candidates who are not currently employed by the University, and who have not been employed by the University during the 12 month period preceding the proposed rehire date.
3. Candidates for positions regarded by Department Heads as being difficult to fill despite extensive recruiting efforts (e.g., labor market shortages, aggressive growth in compensation levels for particular positions).
4. Candidates for whom a documented reason exists indicating the University’s offer will not be accepted without a hiring bonus. For example, it may be

necessary to offer a hiring bonus in situations where the candidate is forfeiting base salary, annual bonus or any other type of compensation from their current employer, in accepting the University's employment offer.

A hiring bonus is intended to make a hiring offer market-competitive and to assist in the new appointee's acceptance of the offer. A relocation allowance, when offered, is intended to offset a portion of the candidate's costs associated with accepting the University's employment offer and relocating, in accordance with the policy on *Senior Management Group Relocation Allowance*.

Before offering a hiring bonus, the hiring manager shall document the business justification for the bonus and confirm that the justification and the bonus amount are consistent with local practice.

B. Bonus Amounts

1. If the candidate meets the eligibility criteria, the hiring bonus amounts should be determined based on the following assessment:
 - a. difficulty in filling the position after prolonged and extensive recruitment efforts to attract market-competitive candidates;
 - b. competing offers under consideration by the prospective candidate;
 - c. market prevalence for these types of bonuses within specific occupations;
and
 - d. compensation (e.g., deferred compensation, annual incentive) the candidate may be forfeiting in leaving his or her current position.
2. The total hiring bonus amount cannot exceed a maximum of 20% of the proposed starting base salary. If both a hiring bonus and relocation allowance are offered to a potential candidate, the combined total cannot exceed 30% of the proposed starting base salary. Direct moving and relocation expenses are to be reimbursed in accordance with the policy on *Senior Management Group Moving Reimbursement*.

C. Payment Provisions

Granting of a hiring bonus is at the sole discretion of the University. Before offering a hiring bonus, the employing department must confirm the availability of funds and the specific determinative criteria cited in Section III.A of this policy. Any hiring bonus amount granted along with payment and repayment provisions shall be detailed in the candidate's offer letter. By signing such agreement, the candidate agrees to all payment and repayment provisions of this policy.

The hiring bonus payments are payable in either a lump sum payment (e.g., within 30 days of hire date) or as installment payments spread over a period of two, three or four years. If a recipient separates from UC, all future installment payments will be forfeited. If a lump sum payment is provided, then repayment provisions are required, as described in Section III.D of this policy.

D. Repayment Provisions

1. The candidate’s offer letter shall contain the specific details of the repayment provisions, including the number of years of service that must be completed and the percentage or actual amount of repayment required if separation occurs prior to the completion of each year of service.
2. If the employee receives a lump sum hiring bonus and separates from UC prior to completing the agreed upon period of service (at least two years is required), the employee will be required to pay back a pro-rata portion of the hiring bonus payment.
3. Any unpaid hiring bonus amounts are forfeited at the time of separation from employment.

E. Funding Sources

Hiring bonus payments, if approved, are funded by the hiring department.

F. Treatment for Benefit Purposes

Hiring Bonus amounts under this policy are not considered to be compensation for University benefit purposes, such as the University of California Retirement Plan, Retirement Savings Program, or employee life insurance programs. A Description of Service (DOS) code of “HBO” has been established for paying hiring bonuses approved in accordance with this policy.

G. Tax Treatment and Reporting

Under Internal Revenue Service Regulations, payment of a hiring bonus must be included in the employee’s income as wages subject to withholding in the year paid for federal and state income taxes and applicable FICA taxes. The payment is reportable on the employee’s Form W-2 in the year paid.

Any payments to SMG members under this policy will be reported to the President and the Regents in the *Annual Report on Executive Compensation*.

IV. APPROVAL AUTHORITY

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.

C. Approval of Actions

All actions within this policy or that exceed this policy must be approved in accordance with Section IV.C. of the policy on *SMG Appointment and Compensation* (Regents Policy 7701). All actions that are applicable to members of the Senior Management Group or Officers of the University that are not expressly provided for under any policy must be approved by the Regents.

V. COMPLIANCE

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 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.

REVISION HISTORY

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 Hiring Bonus* (Regents Policy 7705), dated August 1, 2009

IMPLEMENTATION PROCEDURES

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.