

Senior Management Group Salary and Appointment



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

Effective Date: March 1, 2009

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: Members of the Senior Management Group, including those with underlying academic appointments [Note: an effort is underway by Academic Advancement to review compensation and related policies and to develop appropriate monitoring and reporting processes for Deans. Until those policies and processes are developed and approved by The Regents, Deans remain in the Senior Management Group and are covered by the applicable SMG policies and procedures.]

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I. POLICY SUMMARY

This policy provides direction and authority for appointing and classifying Senior Management Group members and establishing, approving, reviewing and revising any salary and/or Salary Grade changes for Senior Management Group (SMG) members.

II. POLICY DEFINITIONS

Compensable Factors: Information and data specific to a job or position that is used to evaluate against external market data and internal comparable positions to determine an appropriate Salary Grade.

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.

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

Salary Grade: One of the classes, levels or groups into which SMG jobs of the same or similar value are grouped for compensation purposes. All jobs in a salary grade have the same pay range: minimum, midpoint, and maximum.

Salary Range: A range of salaries delineated with a minimum, midpoint, and maximum rate of pay assigned to a given Salary Grade. This represents the competitive range of base salaries for the position.

Senior Management Group: Individuals whose career appointment is in the Senior Management Group personnel program. Employees with a dual academic appointment at 0% shall be considered to possess a career appointment in the Senior Management Group.

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. *Salary Grades and Ranges*

1. Establishment of Salary Grades

The University has established a set of salary grades for SMG positions. A position's salary grade is established by:

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- a. determining the position's key functions, responsibilities, and other compensable factors.
- b. evaluating and comparing the position's compensable factors to relevant market data and internal comparable positions.

A position will undergo a review to determine an appropriate salary grade if the duties change substantially, if the market changes substantially, or if a new position is created. Salary Grade assignments, including changes to salary grades for SMG positions or the creation of a new SMG position, must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

2. Purpose of Salary Ranges

The salary ranges allow the University to administer and manage the salaries of SMG members in a manner that is competitive with relevant external comparator groups, fosters appropriate internal consistency, and facilitates budget control.

3. Adjustments of Salary Ranges

Salary ranges are reviewed annually and may be adjusted periodically by The Regents to reflect market movement of salaries for comparable positions.

Adjustments to salary ranges do not automatically result in an increase in the salary paid to an SMG member. If the salary ranges are adjusted and an incumbent's salary falls below the minimum of the new salary range, adjustments may be recommended to bring the salary above the minimum, if documented sustained performance and contributions are at or above "*Satisfactory*" levels. Adjustments may be made in one or more transactions over a period of time to bring the salary above the range minimum and are processed in conjunction with the merit and equity process and as part of that budget allocation.

Adjustments to the Salary Ranges must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

4. Position in Salary Range

The University's ability to pay competitively (total compensation) in regional and national marketplaces ultimately affects its ability to attract, motivate and retain the talent necessary to achieve the University's mission. It is the University's objective to offer competitive salary opportunities which are reflected in market competitive salary ranges. A number of factors will be considered to determine appropriate pay and position in the salary range for individuals, including documented sustained performance and contributions, internal peer comparability, external market comparability, scope and breadth of experience and responsibilities, as well as other factors. Please note that there are no automatic salary adjustments for individuals whose pay does not comport with the following guidelines. Any adjustments must be managed through existing programs and protocol, as outlined in Sections B. – J. below.

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Generally, salaries above the minimum and below the midpoint reflect an individual who may be learning the job's requirements and still improving his or her performance and contribution.

Salaries within 10 percent of the midpoint of the assigned salary range generally reflect competitive salaries in the marketplace for a fully competent, knowledgeable individual with documented sustained successful performance.

Salaries above the midpoint and below the maximum generally reflect an incumbent who has significant experience in the position, who is proficient in the required skills, adept at managing the typical responsibilities, and who has documented sustained high levels of performance.

Placement above the salary range maximum may occur in unusual circumstances. Since the salary ranges reflect the full scope of market competitive salary rates for a position, if a proposed salary would be above the range maximum, the position should first be evaluated to ensure the grade assigned to the position reflects an up-to-date, market-competitive range of pay. In situations where a proposed action would place the salary above the range maximum, and the salary range appropriately reflects competitive pay, the specific facts and circumstances of the recommendation would need to be evaluated. In the event an incumbent's base salary exceeds the salary range maximum, the individual's performance reviews, internal and external comparability reviews, and other considerations are to be assessed in conjunction with the justification.

B. Appointments

1. Criteria for Appointment

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

Refer to the *Policy on Appointment of Chancellors* [link] and the *Procedures for Appointment of Laboratory Directors* [link] for additional appointment information. Procedures for appointment of academic Deans and Provosts are specified in *Academic Personnel Policy 240, Deans and Provosts*. [link]

2. Authority for Individual Appointment

Individual appointments to all SMG positions must be approved by The Regents. Management and Senior Professional (MSP) personnel program members who assume a position in the Senior Management Group will be considered appointees.

3. Authority to Establish or Abolish Senior Management Positions

Establishment or abolishment of SMG positions and assignment of SMG titles must be approved by The Regents.

4. Nature of Appointment

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An SMG appointee serves at-will and 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, upon approval of The Regents.

5. Assignment of Titles

A working title must be assigned to each SMG position that conveys the organizational level of the position and the nature and scope of the responsibilities assigned. The Chancellor, Laboratory Director or Executive Vice President for Business Operations for the Office of the President may approve minor changes to SMG titles. These changes will be reported to the Regents in the standard report of actions. Regents must approve major changes to SMG titles.

6. Appointment Salary

The salary of a newly appointed SMG member should be within the salary range for the position. The position in the salary range, as described in Section III.A.4. above, at the time of appointment is based on the following factors:

- a. Prior relevant job experience.
- b. Internal salary equity with similar SMG positions.
- c. Internal appointments should include relevant documented performance assessments and appraisals.
- d. The availability of funding.
- e. Market competitive base salary rates.

Appointment salaries must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

C. *Merit Increase*

1. Basis for Merit Increase

SMG members are eligible for consideration of an annual merit increase in accordance with University procedures and funding. The merit budgeting process will be conducted annually as part of the larger budgeting process for UC. Market assessments will be conducted to determine the competitive position and budget necessary to properly position UC base salaries with its competitors. Allocations will be based on relative need to achieve that market position and to reward employee contributions.

Annual Merit Budgets will be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

The amount of an individual's merit increase award is based on the following factors:

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- a. The SMG member's annual written performance appraisal and contributions measured against predetermined goals and objectives.
- b. The SMG member's current position within the salary grade range and his or her salary relative to internal comparable positions.
- c. The availability of approved merit funding.
- d. The SMG member should have an appointment date no later than the first day of the final fiscal quarter (April 1) to be eligible for merit increase consideration. If the appointment occurs on or after April 1, the appointment salary or promotional increase of a SMG member should take into consideration his/her merit and contribution in the former position. Refer to Section III. A.4. of this policy for proper salary placement in the range.

Merit increases must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

2. Performance Appraisal

An SMG member's most recent annual performance appraisal must be at least "*Satisfactory*" in order to receive a merit increase.

3. Merit Increase Timing

The SMG budget and effective date of annual merit increases are established and approved by The Regents each year and communicated systemwide through Human Resources.

D. Promotional Increase

1. Basis for Promotional Increase

A promotion is defined as either a transfer of an SMG member from an existing SMG position to another SMG position at a higher salary grade, or assignment of a higher salary grade to the SMG member's current position to reflect significantly new and higher-level responsibilities. Factors to consider in granting a promotional increase include:

- a. Prior relevant experience, performance which is at least "*Above Expectations*", and demonstrated capability in meeting the new position's requirements.
- b. The recommended salary in relation to the new salary range midpoint. Generally, a promotional increase should position the incumbent's salary below the midpoint if he or she is still learning the job and is not yet fully competent in all aspects of the job requirements. Salaries within 10 percent of the midpoint of the salary range reflect a fully functioning individual with documented sustained successful performance.
- c. The SMG member's recommended salary in comparison with others in the same or a similar position.

Promotions and/or promotional increases must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

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2. Limitation on Promotional Increase

- a. A promotional increase may not be awarded as a substitute for all or part of a merit increase.
- b. An SMG member's most recent annual performance appraisal rating must be at least "*Above Expectations*" to receive a promotional increase.

E. *Equity Increase*

An equity increase may be granted to correct a significant salary inequity in individual circumstances that results from any number of causes, such as rapidly changing external market conditions or a disparity created by new hires in the same or substantially similar jobs who have comparable levels of skills and experience and higher salaries. Equity increases may also be appropriate for individuals whose salary is below the midpoint of their salary range, and whose documented sustained performance is consistently rated at least "*Satisfactory*".

Equity increases must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

When equity funds are made available, they are typically available systemwide once per year. The timing and budget of the annual equity increase program is established and approved by The Regents and communicated systemwide through Human Resources. Equity increases outside the annual program will be reviewed on a case-by-case basis and must be approved by The Regents.

F. *Retention Increase*

Retention increase recommendations are rare and must be based on all of the following factors:

1. The SMG member is considered a finalist for another position, and his/her immediate departure would result in severe operational, service, or functional disruption in accomplishing the mission of the University and;
2. The SMG member's most recent annual performance rating was at least "*Satisfactory*".

Any retention increase recommendation must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

G. *Order of Salary Increases*

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

1. Apply a merit increase, and then
2. A promotional increase
3. Apply any equity increase based upon the appropriate position in the salary range.

H. *Potential Transfers Between Locations (campus, Laboratory, Office of the President)*

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A potential transfer between locations occurs when an SMG member considers accepting another comparable SMG position at a location other than his/her present location. Any salary action recommendations must be based on the concepts regarding position in the salary range presented in Section III.A.4. of this policy, 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 wage offer of the new location for a comparable position. This section of the salary administration policy does not apply to situations in which an SMG member is contemplating another position which 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 Office of the President will serve as the broker of such transfer considerations and discussions.

Any increases or other actions must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

I. Transfers and Reclassifications Within the Same Location (campus, Laboratory, Office of the President)

A transfer within the same location occurs when an SMG member changes from one position to another position in the same salary grade. While such lateral moves may be valuable to develop skills or enhance future promotion opportunities, typically they are not accompanied by an increase in pay at the time of transfer unless there is a significant increase in position scope and responsibilities and documented sustained performance and contributions are at least “*Satisfactory*”.

A reclassification occurs when an incumbent's job changes, with functions added or eliminated, but the majority of the job's functions remain intact. This may or may not result in a grade change. Each situation will be reviewed on a case-by-case basis to determine if a salary increase or decrease is warranted. Documented sustained performance and contributions of at least “*Satisfactory*” are a consideration in such determinations.

Transfer and reclassification salary increases or other actions must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

J. Salary Decrease Upon Reduction in Salary Grade

When an individual transfers from an existing SMG position to another SMG position at a lower salary grade, or when an individual's current SMG position is assigned to a lower salary grade, any recommendation for a salary decrease is at the discretion of the President, Chancellor, or Laboratory Director. Documented sustained performance and contributions of at least “*Satisfactory*” are a consideration in such determinations. Salary decreases must be approved by The Regents in accordance with Section IV. of this policy.

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K. Temporary Assignments and Administrative Stipends

An employee may be asked to temporarily assume an SMG position. An SMG member may be asked to temporarily assume an SMG position at a salary grade higher than his/her career appointment. In rare instances, an SMG member may be asked to temporarily assume only a portion of the responsibilities of another SMG position in addition to his/her current responsibilities. In these circumstances, when the temporarily assumed responsibilities are deemed to be *significantly greater in scope and level* and when the employee is held fully accountable for the temporary responsibilities, the individual may receive a stipend so long as their documented performance evaluations warrant the stipend.

These assignments and the accompanying stipends (if appropriate) may be approved for up to twelve months in duration. Extensions of such arrangements constitute an exception to policy and may only be granted in intervals not to exceed twelve additional months. The purpose of such limitations is to ensure that adequate measures are being undertaken to install permanent stewardship of senior leadership positions.

The determination of the stipend amount, if any, must be based upon guidance provided in this policy regarding incumbent range placement. Additionally, the temporary assignment of a faculty member to an SMG position must take into account the adjusted faculty salary which is inclusive of an assumption of eleven and one-half months of salary (typically involving the addition of two and one-half summer months to a nine month academic appointment). An administrative stipend must not be included in the determination of the base salary for purposes of calculating an incumbent's merit increase.

Any stipends or other actions must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

L. Salary Restriction

An SMG member who is appointed at 100 percent time must not receive additional cash compensation from an entity managed exclusively by the University (e.g., Lawrence Berkeley National Laboratory, a UC campus, or a UC medical center) for any work or services, regardless of source or type of payment. However, allowable circumstances in which an SMG member may receive additional compensation are as follows:

1. Payments for teaching University Extension courses (UNEX).
2. Administrative stipends payable under Section K. of this policy.
3. Incentive and recognition awards payable in accordance with approved incentive plans and recognition awards provisions described in the *Cash Incentive and Recognition Awards Policy* [link]. Health Science Compensation Plan participants are not eligible for additional incentive awards outside of APM 670.
4. Payments and income derived through Outside Professional activities, in accordance with the *Outside Professional Activities Policy* [link].

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5. Academic Deans and Provosts may receive a 1/12 payment for summer research based on their annual SMG salary. In such instances, accrued vacation is forfeited for the year in which the 1/12 compensation for research is received.

Actions or payments as noted above must be approved by The Regents. Refer to Section IV. of this policy for additional information on approval authority.

M. Home Loan Eligibility

Eligibility to participate in the University home loan program, which conforms with all aspects of the home loan policy, may be approved by the Chancellor, Lawrence Berkeley National Laboratory Director or, for the Office of the President, the Executive Vice President Business Operations. Loans with non-standard terms must be approved by the Regents. Program parameters can be viewed at <http://www.ucop.edu/facil/olp/products.html> with further details available from the Director – Office of Loan Programs or the campus or Laboratory Housing Programs Representative.

Eligibility for participation in the University Home Loan Program does not constitute loan approval.

The Regents will be informed of Home Loan activity as follows:

1. The Office of the President, Office of Loan Programs will provide an annual report to the Regents entitled *University of California Annual Report on University Housing Assistance Programs*. This report will include the number, total dollar amount, and average loan amount of loans made to members of the Senior Management Group during the fiscal year.
2. Human Resources will provide eligibility information and the maximum loan amount in the report to the Regents entitled *Bi-monthly Transaction Monitoring Report*.
3. Human Resources will provide information on the current, actual loan amounts in their annual report to the Regents entitled *Annual Report on Executive Compensation*.
4. Home Loan Program eligibility for newly hired Senior Management Group employees will be identified in the original Regents item pertaining to their appointment and 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.

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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 [link] and Standing Orders [link] 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 Senior Management Group Compensation Policy Principles and other governance policies.

C. Approval of Actions

The President must endorse and the Regents must approve all salary and appointment actions, including actions within this policy, those that exceed this policy, or those not expressly provided for under any policy. It is expected that an appropriate compensation study will accompany any request for an SMG member's salary increase.

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 audit and monitor compliance to these policies, and results will be reported to senior management and The Regents.

B. Noncompliance with the Policy

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Noncompliance with the policy is handled in accordance with The Regents' [Guidelines for Corrective Actions Related to Compensation Practices](#) [link] and [Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews](#). [link]

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 and The Regents at least three times per fiscal year.

REVISION HISTORY

As a result of the issuance of this policy, the following documents are rescinded as of the original effective date of this policy. The effective date of the original policy was intended to be January 1, 2009, but was approved for September 1, 2008:

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

IMPLEMENTATION PROCEDURES

RELATED DOCUMENTS

- [Policy on Appointment of Chancellors](#) (referenced in Section III.B.1. of this policy)
- [Procedures for Appointment of Laboratory Directors](#) (referenced in Section III.B.1. of this policy)
- [Academic Personnel Policy 240, Deans and Provosts](#) (referenced in Section III.B.1. of this policy)
- [Cash Incentive and Recognition Awards Policy](#) (referenced in Section III.L. of this policy)
- [Outside Professional Activities Policy](#) (referenced in Section III.L. of this policy)
- [Bylaws of The Regents](#) [include the specific Bylaws that are applicable] (referenced in Section IV.B. of this policy)
- [Standing Orders of The Regents](#) [include the specific Standing Orders that are applicable] (referenced in Section IV.B. of this policy)
- [Other Governance Policies](#) (referenced in Section IV.C. of this policy)

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- *Guidelines for Corrective Actions Related to Compensation Practices* (referenced in Section V.B. of this policy)
- *Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews* (referenced in Section V.B. of this policy)

FREQUENTLY ASKED QUESTIONS

Temporary Assignments and Administrative Stipends

Q: If an employee in the Management and Senior Professional (MSP) personnel program temporarily assumes an SMG position, what personnel program applies to the employee?

A: Individuals serving in an SMG position on an acting or interim basis retain their membership in the personnel program associated with their career appointment. If the employee's career appointment is in the MSP personnel program and the employee agrees to serve in a SMG position on an acting basis, the employee continues to be covered by the provisions of the MSP personnel program.

Definition of "Provost" in Section III L. 5

Q: Is the definition of "Provost" in this section intended to include the College Provost as well as the Campus Provost?

A: Yes.

Definition of "minor" title change in Section III. B. 5

Q: What is the difference between a "minor" and "major" change in title?

A: In general, a major change in title is a change that alters the title prefix; for example, a change from Assistant Vice Chancellor to Vice Chancellor. In general, a minor change in title is a change that alters the title suffix; for example, a change from Assistant Vice Chancellor-Administrative Services to Assistant Vice Chancellor-Administrative Operations. It is possible that a substantial change to the title suffix could constitute a major change.