

## Office of the President

### TO THE MEMBERS OF THE SPECIAL COMMITTEE ON COMPENSATION:

#### ACTION ITEM

*For the Meeting of January 18, 2006*

#### **APPROVAL OF SALARY STRUCTURE AND OVERVIEW OF JOB SLOTTING FOR ALL DESIGNATED OFFICER POSITIONS AND FOR CAMPUS AND OFFICE OF THE PRESIDENT POSITIONS WITH CURRENT SALARIES ABOVE THE INDEXED COMPENSATION LEVEL**

The President recommends that the Special Committee on Compensation recommend to The Regents adoption of the base salary structure described in Exhibit 1 in the Background of this item establishing salary grades and ranges for use in administering base compensation for the Senior Leadership Compensation Group (SLCG), which includes positions occupied by incumbents whose salaries exceed the Indexed Compensation Level (ICL), which is currently \$168,000 per annum, and certain designated Officer positions.

The salary structure will be reviewed annually and adjusted by The Regents as appropriate, based on an assessment of changes in the market.

[Note: Not included in this recommendation and scheduled for action by The Regents at the March meeting will be the compensation structures for the Offices of the General Counsel, the Secretary, and the Treasurer and slotting for the campus counsels, Lawrence Berkeley National Laboratory positions below the director, medical center positions, and the deans of medicine.]

#### **BACKGROUND**

The two principles that drive the compensation plan for the SLCG are:

- (1) The procedures that govern the administration of the compensation plan for the SLCG must be clear, equitable, transparent, and accountable to The Regents and the public in accordance with the principles approved by the Board of Regents on November 16, 2005.

- (2) The quality of the academic, management, and staff personnel is essential to maintain the excellence of the University of California and its ability to contribute to the health and vitality of the State of California. The strategy is to attract and retain the highest quality academic, managerial, and staff talent by offering competitive total remuneration.

The recommendation is for base salaries only and does not include recurring payments such as bonuses, car allowances, and housing allowances. This information, while important, has not yet been systematically collected for the purposes of reporting. Data on these non-salary items is being assembled as part of several audit efforts under way and will be presented to The Regents in the near future. Additionally, compensation information from the academic comparative institutions is generally available only for base salaries, and it is therefore very difficult, if not impossible, to make comparative analyses for compensation purposes on other than base salaries.

At the March meeting, priorities for the use of available funds and the specific placement within the salary ranges of each of these individuals as well as all the individuals in the SLCG will be scheduled for action.

At the November 2005 meeting, The Regents approved a policy that a salary structure be established, subject to the approval of The Regents, within which salaries for all SLCG positions will be administered. The structure is to be based on the recommendation of an external consultant and will consist of salary ranges that provide salary opportunities competitive with those offered by other employers with which UC competes for SLCG employees. Each SLCG position will be assigned to the appropriate salary range based on external competitive salary data and internal equity considerations. There are 284 positions that have been assigned to salary grades and for which approval is sought in this action, and approximately 135 additional positions will be presented at the March meeting, of a total University full-time employment of approximately 120,000. There are a number of related positions at the Los Alamos National Laboratory and the Lawrence Livermore National Laboratory that will not be slotted, given the structural changes that have or likely will occur.

### ***Salary Structure***

Working with the Office of the President and the chancellors, Mercer Human Resource Consulting (Mercer) has developed an executive salary structure based on the following design principles:

- To establish salary ranges that are aligned with the rates paid in the competitive markets within which UC competes for SLCG employees.
  - The competitive market data are typically based on the levels of cash compensation prevailing among a select group of 26 higher education institutions that report salary data annually to the College and University Professional Association (CUPA).
  - Where the competitive market is not adequately defined by the higher education institutions participating in the CUPA study, additional market competitive data are collected from surveys of salary levels in general industry conducted by Mercer and other consulting firms.
- To create a logical structure within which salaries for SLCG employees can be managed by the system, campus, or department with clear oversight by The Regents.
- To provide a structure that enables incumbents to receive compensation commensurate with specific job responsibilities, qualifications, experience, and performance.
- To group together jobs with similar levels of responsibility for ease of administration and to maintain appropriate internal salary relationships systemwide.

### ***Salary Grades***

Establishing grades for the positions that are the subject of this recommendation is entirely consistent with accepted compensation practices and with other positions within the University of California. This proposed Salary Structure is comprised of 16 salary grades each of which has a unique salary range associated with it. The spread from the minimum salary level to the maximum salary level within each grade varies from between 50 percent and 60 percent, which is somewhat narrower than those typically found in the market for positions at these salary levels, reflecting a conservative approach by UC in differentiating individual salary based on difference in individual qualification, experience, and performance. The difference between grade midpoints, or the "Increment," is proposed at 12 percent, which is also consistent with practice. The recommended grades are as follows:

**EXHIBIT 1**  
**Salary Structure**  
**effective January 1, 2006**

<u>Grade</u>	<u>Spread*</u>	<u>Increment</u>	<u>Min</u>	<u>Mid</u>	<u>Max</u>
102	50.0%		\$94,000	\$117,500	\$141,000
103	50.7%	12.0%	\$105,000	\$131,600	\$158,200
104	51.5%	12.0%	\$117,200	\$147,400	\$177,600
105	52.3%	12.0%	\$130,900	\$165,100	\$199,300
106	53.1%	12.0%	\$146,100	\$184,900	\$223,700
107	53.8%	12.0%	\$163,200	\$207,100	\$251,000
108	54.6%	12.0%	\$182,200	\$231,900	\$281,700
109	55.4%	12.0%	\$203,400	\$259,800	\$316,100
110	56.2%	12.0%	\$227,100	\$290,900	\$354,700
111	56.9%	12.0%	\$253,600	\$325,800	\$398,000
112	57.7%	12.0%	\$283,200	\$364,900	\$446,600
113	58.5%	12.0%	\$316,300	\$408,700	\$501,200
114	59.2%	12.0%	\$353,200	\$457,800	\$562,400
115	60.0%	12.0%	\$394,400	\$512,700	\$631,000
116	60.0%	12.0%	\$441,700	\$574,200	\$706,700
117	60.0%	12.0%	\$494,700	\$643,100	\$791,600

**RECOMMENDATION:** TO APPROVE THE PROPOSED SALARY STRUCTURE. THIS STRUCTURE WILL BE REVIEWED ANNUALLY AND ADJUSTED BY THE REGENTS AS APPROPRIATE BASED ON AN ASSESSMENT OF CHANGES IN THE MARKET.

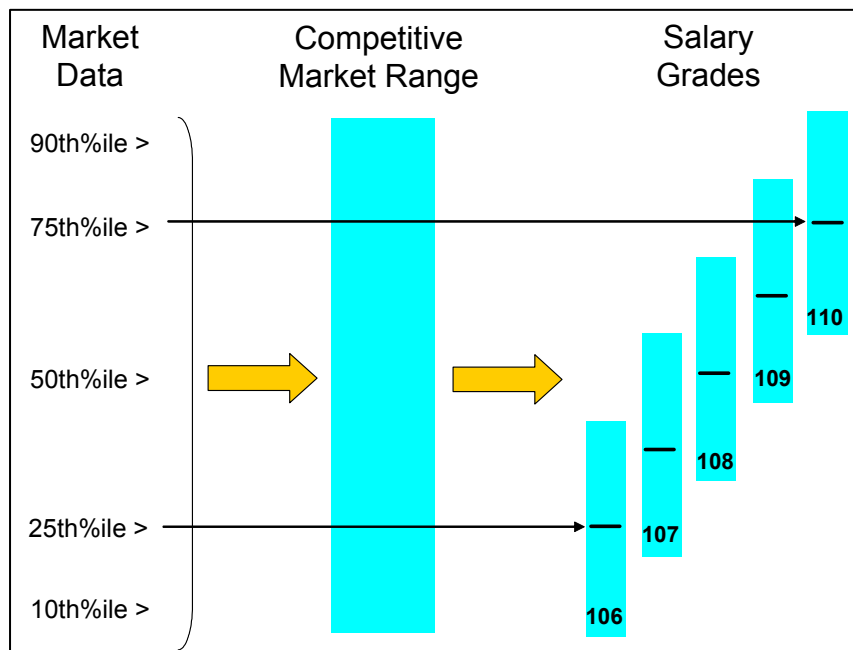
***Job Slotting***

The approval by The Regents of individual SLCG positions to specific salary ranges is the subject of a separate Regents Item. This section provides an overview of the process that was used to assign the positions to the salary ranges.

With Mercer's assistance, UC has slotted affected SLCG positions into the salary structure using the following criteria and process:

- Appropriate market data were collected from salary surveys for the SLCG positions under consideration that are commonly found in the market.
- Positions normally were assigned to the grade that had a salary range midpoint closest to the indicated median of the market data. The range around the midpoint allows individuals to be paid higher or lower to recognize individual qualifications, experience, and performance.
- For department head jobs with incumbents across multiple campuses:
  - Competitive market ranges were determined to encompass the 10th through the 90th percentiles of the market data.

- Within the larger competitive ranges, narrower salary ranges were used in order to recognize differences across campuses based upon differences in relative size and complexity, academic prominence, and other relevant factors.
- A grade structure with the maximum grade differential for multiple incumbent department head jobs is illustrated in the graphic shown below. The single bar on the left illustrates the full range of competitive rates found in the market. The smaller individual bars on the right illustrate the salary ranges used for similar positions at UC to recognize relative differences in relative size, complexity, academic prominence, and other relevant factors and place them appropriately within the broader competitive range. The structure provides for considerable overlap in the salary ranges while encompassing the full range of competitive market rates.



The criteria for slotting jobs into a specific grade within the larger competitive range included relative size and complexity within UC, academic prominence, and other relevant factors, including internal equity and reporting relationships. In addition, adjustments have been made to recognize “priority” positions that require a higher salary range in order to be able to fill the position with a more qualified candidate.

In assigning positions to salary grades, the following criteria were also used:

- The position, not the incumbent, was considered in assigning grades.
- Unique positions within UCOP or the campuses were slotted based on their individual market data, where these data were available.
- Positions where no relevant market data were available were slotted into grades based on their relative similarity to other positions in the campus and/or system.
- Once the positions were slotted, current individual base salaries were compared to the salary ranges, and those that are below range minimum or above range maximum have been noted. Future adjustments to each individual's salary will be viewed relative to the salary ranges, considering the incumbent's experience and performance.

The process to complete the overall position slotting included:

- Initial assignment of job slotting was completed by UCOP and Mercer.
- The initial slotting was reviewed by the Chancellors for completeness, accuracy, and internal grade relationships, and then updated.
- The updated slotting was reviewed by the Senior Management Advisory Committee (SMAC), which reviewed the results systemwide and recommended final job slotting to the President.
- The final, individual recommendations are being submitted by the President to the Special Committee on Compensation and to The Regents for review and approval in a separate Regents item.