

Office of the President

TO MEMBERS OF THE GOVERNANCE AND COMPENSATION COMMITTEE:

Compensation Item/Type: Executive Compensation Program

Funding: State and Non-State-Funded

ACTION ITEM

For Meeting of March 14, 2018

AMENDMENT AND RESCISSION OF CERTAIN REGENTS' AND OTHER POLICIES PERTAINING TO SENIOR MANAGEMENT GROUP COMPENSATION

EXECUTIVE SUMMARY

The President proposes amending or rescinding the following Regents' and other policies:

- Regents Policy 7709: Senior Management Group Automobile Allowance (amend)
- Regents Policy 7710: Senior Management Group Moving Reimbursement (amend)
- Regents Policy 7711: Senior Management Group Relocation Allowance (rescind)
- PPSM II-71: Senior Management Supplemental Benefit Program (amend)

The majority of the proposed changes stem from recommendations made in the California State Auditor's 2017 report. The Auditor has approved of the decision to rescind Policy 7711 and to eliminate future participation in the Auto Allowance and the Senior Management Supplemental Benefit Plan, but asked that the University memorialize these changes in policy. Changes to these policies are summarized below; proposed amendments of the policies are attached.

Because of a provision in Regents Policy 7201: Principles for Review of Executive Compensation, final action must occur in open session of a Board meeting held at least 20 days following the meeting at which the Committee makes a recommendation. Therefore, if the Committee recommends approval, the Board will vote on the proposed amendments and rescission at its May meeting.

RECOMMENDATION

The President of the University recommends that the Governance and Compensation Committee recommend that the Regents:

1. Amend Regents Policy 7709: Senior Management Group Automobile Allowance, Regents Policy 7710: Senior Management Group Moving Reimbursement, and PPSM II-71: Senior Management Supplemental Benefit Program, as shown in Attachments 1 through 3; and

2. Rescind Regents Policy 7711: Senior Management Group Relocation Allowance, as shown in Attachment 4.

BACKGROUND

Regents Policy 7709: Senior Management Group Automobile Allowance

Under the proposed amendment to this policy, new hires and new appointees to Senior Management Group (SMG) positions would not be eligible to receive automobile allowances. SMG members currently receiving the automobile allowance (\$743 monthly), which is intended to offset business-related use of a personal automobile, may continue to receive the allowance until they separate from their current SMG positions. The University has not approved any new automobile allowances for SMG positions since March 1, 2017.

Regents Policy 7710: Senior Management Group Moving Reimbursement

This policy addresses standard reimbursement of moving and relocation expenses when a candidate must relocate his or her primary residence to accept a new University appointment. The changes in policy are necessary to ensure that the University is able to attract candidates, particularly those coming from out of state or from areas within California where the value of housing is less than the areas where UC campuses are located. The proposed amendment would permit reimbursement of certain limited costs associated with the sale of the candidate's primary residence in the old location when the sale is necessary to accept the University's employment offer and move to the new work location. These expenses include "not-to-exceed" reimbursement of brokerage fees and closing costs. The proposed amendment would also permit reimbursement of costs associated with the settlement of a residential lease if the candidate must settle that lease to relocate for the University. Expenses associated with sale of a residence or settlement of a residential lease would have to be documented in order to be reimbursed and would be capped at a maximum allowable amount. Examples of reimbursable moving and relocation expenses that are being retained from existing policy include movement of household goods and personal effects, and temporary lodging. Reimbursements would be taxable to the recipient and repayment would be required if the employee voluntarily separated from the position prior to completing one year of service.

Regents Policy 7711: Senior Management Group Relocation Allowance

This policy permits cash allowances of up to 25 percent of base salary to help offset a candidate's unreimbursed costs associated with accepting the University's offer of employment and relocating at the University's request. The President proposes rescinding this policy.

PPSM II-71: Senior Management Supplemental Benefit Program

Under the proposed amendment to this policy, new hires and new appointees to SMG positions would not be eligible to participate in the Senior Management Supplemental Benefit Program. SMG members currently participating in this program may continue to receive a monthly contribution until they separate from their current SMG positions. The University has not approved participation in this program for newly appointed SMG members since May 25, 2017.

Attachments:

Attachment 1: Regents Policy 7709: Senior Management Group Automobile Allowance

Attachment 2: Regents Policy 7710: Senior Management Group Moving Reimbursement

Attachment 3: PPSM II-71: Senior Management Supplemental Benefit Program

Attachment 4: Regents Policy 7711: Senior Management Group Relocation Allowance