

Office of the President

TO MEMBERS OF THE COMMITTEE ON COMPENSATION:

Compensation Item/Type: Modification of Senior Management Group Governance

ACTION ITEM – CONSENT

For Meeting of November 15, 2012

ADOPTION OF REVISIONS TO GOVERNANCE OF SENIOR MANAGEMENT GROUP COMPENSATION

RECOMMENDATION

The President recommends that the Committee on Compensation recommend to the Regents that:

- (1) The approval authority standards required for compensation actions for members of the Senior Management Group (SMG), as summarized in [Attachment 1](#), be approved and applied to all SMG compensation actions.
- (2) The Market Reference Zones for SMG positions be approved as shown in [Attachment 2](#).
- (3) The President be authorized to develop implementing procedures for the program.

BACKGROUND

The Committee on Compensation discussed these proposed governance changes for the Senior Management Group (SMG) at the September 2012 meeting. As noted in the September item, *Proposed Revisions to Governance of Senior Management Group Compensation*, the changes are consistent with the recommendations of the 2009 Task Force on Compensation, Accountability and Transparency and the practices of other public higher education institutions. No concerns were raised at the September meeting and there was general consensus with the goals of the proposal.

The proposed changes are designed to enable the Regents to focus more attention on compensation philosophy, policies and strategies by delegating responsibility for the execution of transactions to the appropriate level in the organization. The proposed programmatic improvements establish clear benchmarks for compensation decisions, align accountability and approval authority with reporting responsibilities, and reduce the number of employees whose individual compensation must be approved by the Regents from approximately 215 to 27 individuals.

This item does *not* propose any increase in SMG compensation. Nor does it alter current transparency expectations: all current compensation reporting requirements established by the Regents for SMG employees and those staff members whose total cash compensation exceeds the reporting threshold, which is currently \$250,000, would remain in force. Under the proposed revisions, the Regents would retain approval authority for all SMG compensation programs, as well as the individual compensation transactions for the most senior leaders of the institution, currently 27 individuals: the President, direct reports to the Regents and/or President, and the five medical center chief executive officers. Approval of compensation actions for all other members of the SMG would be delegated to the President or the Chancellors, under express limitations reflected in Attachment 1. The President will review all actions proposed by the Chancellors under this delegation for a period of time. Exceptions to policy will continue to require Regental approval for all SMG members.

Each SMG position will be assigned a Market Reference Zone (MRZ) or salary band, as shown in Attachment 2, reflecting the dynamic labor market in which the University competes for talent. The MRZs permit the University to systematically administer and manage the salaries of SMG members in a manner that is competitive with relevant external market comparator groups, fosters appropriate internal consistency and facilitates budget control.

The Senior Vice President – Chief Compliance and Audit Officer will assure that periodic auditing and monitoring will occur, as appropriate.

Conforming amendments to the Bylaws, Standing Orders and relevant policies will be presented for action at a future meeting. In the event of a conflict with another Regents policy or governing document during the intervening period, the requirements for approval authority in Attachment 1 will apply.

(Attachments **One** **Two**)