The Regents of the University of California

COMMITTEE ON COMPENSATION
September 18, 2008

The Committee on Compensation met on the above date at the Student Center, Irvine Campus.

Members present: Regents Blum, Cole, Hopkinson, Johnson, Kozberg, Lozano, Pattiz, Varner, and Yudof; Advisory Members Stovitz and Croughan

In attendance: Regents De La Peña, Island, Lansing, Ruiz, Schilling, and Shewmake, Regent-designate Bernal, Faculty Representative Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Interim Provost Grey, Executive Vice Presidents Darling and Lapp, Senior Vice President Hoffman, Vice Presidents Lenz and Sakaki, Chancellors Birgeneau, Bishop, Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, White, and Yang, and Recording Secretary Johns

The meeting convened at 10:40 a.m. with Committee Chair Varner presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Committee Chair Varner noted that an amendment of the minutes was required. In item 4. V. in the pending minutes, ‘Renegotiated Contract Compensation for Diane Ninemire as Head Women’s Softball Coach, Berkeley Campus,’ the Office of the President included an extra paragraph in error (concerning early termination of the contract) in the item approved in July. The following paragraph needed to be deleted by amending the minutes before approval:

“This contract is for a revenue sport and as such contains a penalty clause for early termination. In the event Coach terminates her employment prior to the end of this Employment Contract, Coach shall pay to the University the sum of $100,000. Until such time as renovations are made to the women’s basketball offices and appropriate improvements are made to the condition of the practice flooring, this sum shall be reduced to $50,000.”

Upon motion duly made and seconded, the minutes of the meeting of July 17, 2008 were approved as amended.

2. **APPROVAL OF INDIVIDUAL COMPENSATION ITEMS AS DISCUSSED IN CLOSED SESSION**

The President recommended:

A. ***Appointment Salary for Barbara F. Perry as Director, Government Research Relations, San Diego Campus***

Approval of the following items in connection with the appointment of Barbara F. Perry as Director, Government Research Relations, San Diego campus:

(1) An appointment salary of $192,000, SLCG Grade 105 (Minimum $138,200, Midpoint $174,300, Maximum $210,400).

(2) This appointment is at 100 percent time and will become effective November 1, 2008.

(3) Ms. Perry will not be eligible for consideration in the merit/equity program until October 2009.

(4) Per policy, a relocation allowance of $48,000 (25 percent), subject to a repayment requirement in the event she resigns within the first four years of employment.

(5) As an exception to policy, 100 percent reimbursement of all reasonable moving expenses. This is an exception as policy allows for 50 percent reimbursement for MSP classified positions.

(6) As contemplated by policy, eligibility to participate in the Mortgage Origination Program (MOP). This loan will comply with all standard Mortgage Origination Program loan policies. The loan amount will not exceed the maximum allowable under policy (currently $1.33 million).

(7) Per policy, one coach-fare house-hunting trip.

(8) Per policy, 30 days of temporary housing.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.
- Per policy, eligibility for Staff Recognition and Development Program award up to 10 percent of base salary annually.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

B. ***Stipend Extension for Joseph Rudnick as Acting Dean–Division of Physical Sciences, College of Letters and Science, Los Angeles Campus***

Approval of the following items in connection with a stipend extension for Joseph Rudnick as Acting Dean–Division of Physical Sciences, College of Letters and Science, Los Angeles campus:

(1) As an exception to the duration policy on administrative stipends, a second extension of the existing 15 percent administrative stipend ($33,800) beyond the one-year duration provided in policy. The stipend plus the adjusted base salary of $225,500 result in a total annual salary of $259,300.

(2) This appointment is at 100 percent time and is effective from October 1, 2008 through September 30, 2009 or until a permanent appointment is made, whichever occurs first.

(3) If an adjustment to the annualized base salary is made prior to the termination of this acting role, the 15 percent stipend will be recalculated on the new annualized base salary.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.
- Per policy, accrual of sabbatical credits as a member of faculty.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

C. ***Stipend Extension for Sharon A. Duffy as Acting Dean–University Extension, Riverside Campus***

Approval of the following items in connection with a stipend extension for Sharon Duffy as Acting Dean–University Extension, Riverside campus:

(1) As an exception to policy, an extension of the current administrative stipend of 39.4 percent ($48,522) to increase her adjusted faculty salary of $123,178 to a total annual salary of $171,700 (Salary Grade 105: Minimum $138,200, Midpoint $174,300, Maximum $210,400). This stipend percentage is needed due to the low adjusted faculty salary in relation to the salary range for the Dean position.

(2) If a change to the academic base salary is made prior to the termination of this acting role, the 39.4 percent stipend will be recalculated against the new adjusted academic base salary.

(3) As an exception to policy, this 100 percent appointment will be effective October 1, 2008 through September 30, 2009, or until the appointment of a permanent Dean–University Extension, whichever occurs first. This change extends the acting appointment beyond the one year allowed by policy for a total duration of two years. This extension allows Ms. Duffy to serve until the search is concluded.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.
- Per policy, accrual of sabbatical credits as a member of faculty.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

D. ***Administrative Stipend for Mary J. Nisbet as Acting Dean–Undergraduate Education, College of Letters and Science, Santa Barbara Campus***

Approval of the following items in connection with the appointment of Mary J. Nisbet as Acting Dean–Undergraduate Education, College of Letters and Science, Santa Barbara campus:

(1) As an exception to policy, administrative stipend of $38,778 (30.0 percent of adjusted faculty salary) to increase her base salary to a total annual salary of $168,038. This reflects an exception to policy which allows for up to a 15.0 percent administrative stipend. This appointment is at 100 percent time.

(2) The stipend amount will be increased as the base salary is increased, so the stipend will equal 30.0 percent of the base salary.

(3) Effective September 1, 2008, through August 31, 2009, or upon completion of a three-month transition period after the interim duties are transferred to the new Dean.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).

- Per policy, accrual of sabbatical credits as a member of faculty.
- Per policy, ineligible to participate in the Senior Management Supplemental Benefit Program due to academic appointment.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

E. ***Stipend Extension for Samuel Hawgood as Acting Dean–School of Medicine, San Francisco Campus***

Approval of the following compensation for Samuel Hawgood as Acting Dean–School of Medicine, San Francisco campus:

(1) As an exception to policy, an extension of the existing stipend, effective December 15, 2008 through June 30, 2009, or until the effective date of the appointment of a permanent Dean, whichever occurs first, and including up to a three-month transition period. This appointment is at 100 percent time. This represents an exception to policy which allows for an administrative stipend to be paid for up to 12 months.

(2) As an exception to policy, continuation of the existing administrative stipend of 94.3 percent ($181,425) to increase his current faculty base salary of $192,300 and his Health Sciences Compensation Plan (HSCP) pay of $195,475 to an annual salary of $569,200 (SLCG Grade 114: Minimum $372,900, Midpoint $483,400, Maximum $593,800). This level of compensation is needed in order to provide Dr. Hawgood with a market-appropriate level of total income, in recognition of the necessary reduction of clinical revenue he will realize while he continues temporary administrative Dean's duties and reduces his clinical practice. This represents an exception to policy which allows for up to a 15.0 percent administrative stipend.

(3) The stipend amount of $181,425 is to remain constant with any and all salary adjustments, inclusive of faculty increases per the approved program's step parameters.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.
- Per policy, accrual of sabbatical credits as a member of faculty.
- Per policy, ineligible to participate in the Senior Management

Supplemental Benefit Program due to academic appointment.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

F. ***Administrative Stipend for David Rein as Acting Compliance Officer, School of Medicine, San Francisco Campus***

Approval of a stipend for David Rein as Acting Compliance Officer, School of Medicine, San Francisco campus:

(1) Per policy, an administrative stipend of $26,910 (15.0 percent) to increase his base salary of $179,400 to an annual salary of $206,310 (MSP 6: Minimum $138,200, Midpoint $174,300, Maximum $210,400).

(2) The stipend percent is to remain constant at 15.0 percent with any and all salary adjustments.

(3) Continued eligibility to participate in the School of Medicine Management Incentive Plan (MIP) with a maximum payout of up to 15.0 percent of base salary ($26,910).

(4) Effective September 1, 2008, through August 31, 2009, or until the completion of a three-month transition period after the acting duties are transferred to the new Compliance Officer, School of Medicine, whichever comes first.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

G. ***Salary Adjustment for AnnaLee Saxenian as Dean–School of Information, Berkeley Campus***

Approval of the following items in connection with a salary increase for AnnaLee Saxenian as Dean–School of Information, Berkeley campus:

(1) Salary increase to $210,000. This represents a 16.1 percent increase ($29,100) in Ms. Saxenian's current salary of $180,900 (Salary Grade 107: Minimum $172,300, Midpoint $218,700, Maximum $265,000). Per agreement, ineligible for any further merit or equity increase until October 2009.

(2) This appointment is at 100 percent time and the salary adjustment is effective September 1, 2008.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, accrual of sabbatical credits as a member of faculty.
- Per policy, ineligible for participation in the Senior Management Supplemental Benefit Program due to dual appointment as a member of the faculty.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

H. ***Salary Adjustment for Gerald S. Levey as Vice Chancellor–Medical Sciences and Dean–School of Medicine, Los Angeles Campus***

Approval of the following compensation for Gerald S. Levey as Vice Chancellor–Medical Sciences and Dean–School of Medicine, Los Angeles campus:

(1) As an exception to policy, a salary increase of $154,300 (41.1 percent), increasing his base salary from $375,700 to $530,000 at SLCG Grade 114 (Minimum $372,900, Midpoint $483,400, Maximum $593,800).

(2) Per policy, continuation of $207,000 Health Sciences Compensation Plan (HSCP) pay for a total annual salary, inclusive of base salary and HSCP, of $737,000.

(3) This salary adjustment will preclude him from further merit or equity increase consideration during fiscal year 2008.

(4) As a continuation of previously approved exception to policy, eligibility for an $8,916 annual automobile allowance.

(5) Per former policy, continuation of 5 percent monthly contribution to the Senior Management Supplemental Benefit Program.

(6) Per policy, accrual of sabbatical credits as a member of faculty.

(7) Per policy, continued participation in the Mortgage Origination Program (MOP) and Supplemental Home Loan Program (SHLP).

(8) Effective October 1, 2008.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

I. ***Various Compensation Actions Regarding Chief Medical Officers in the Medical Centers***

Approval of the following actions for the Chief Medical Officers in the Medical Centers:

(1) Interim slotting of positions, as recommended by Mercer Human Resource Consulting. Mercer has reviewed the current organization structure of each Chief Medical Officer within the Medical Centers with regard to job content, hierarchy and based on market best practices. Senior Leadership Compensation Group (SLCG) slottings are recommended as noted below:

Campus/Title	SLCG Grade	Range Min	Range Midpt	Range Max
Irvine	112[1]	$298,900	$385,300	$471,500
San Diego	112	$298,900	$385,300	$471,500
Davis	112	$298,900	$385,300	$471,500
Los Angeles	113	$333,900	$431,500	$529,100
San Francisco	113[2]	$333,900	$431,500	$529,100

[1] The Chief Medical Officer position at the Irvine campus is currently slotted at SLCG 110.

(2) Designation of three Chief Medical Officer positions as Senior Management Group. There are currently two Chief Medical Officer positions, at the Irvine and San Francisco campuses, already designated as SMG.

a. Per policy, any Chief Medical Officer currently holding an underlying tenured academic appointment at zero percent time is ineligible for the Senior Management Supplemental Benefit Program.

b. Per policy, any Chief Medical Officer not holding a tenured academic appointment will be eligible for a 5.0 percent monthly contribution to the Senior Management Supplemental Benefit Program.

(3) Base salary adjustments as noted below for certain employees in the Chief Medical Officer position. These salary recommendations are based upon assessment of scope and complexity of the position, individual performance and contribution, as well as related experience. The proposed base salary adjustments total $91,625 for three of the five Chief Medical Officers. This represents an average increase of 9.8 percent.

Campus	Name	SLCG Slotting			Compensation					
		Curr SLCG Grade	Proposed SLCG Grade	Grade Range	Current Base Salary	Proposed Base Salary	HSCP	CEMRP Potential	5% SMG Supp Benefit	Proposed Total Cash
UCI	Eugene Spiritus	110	112	$298,900-$385,300-$471,500	$289,700	$310,000	none	25% ($77,500)	$15,500	$403,000
UCSD	Angela Scioscia	na	112	$298,900-$385,300-$471,500	$315,000	$374,800	none	25% ($93,700)	$18,740	$487,240
UCD	Allan Siefkin	na	112	$298,900-$385,300-$471,500	$330,475	$342,000	none	25% ($85,500)	$17,100	$444,600
UCLA	Thomas Rosenthal	na	113	$333,900-$431,500-$529,100	$239,600	Salary addressed at Nov 08 Regents	$191,900	none	none	$431,500
UCSF	Vacant	113	no change	$333,900-$431,500-$529,100	NA	TBD	none	25%	TBD	TBD

a. Salary adjustment for Eugene M. Spiritus at the Irvine campus in the amount of $20,300 (7.0 percent) from $289,700 to $310,000.

b. Salary adjustment for Angela Scioscia at the San Diego campus in the amount of $59,800 (19.0 percent) from $315,000 to $374,800.

c. Salary adjustment for Allan Siefkin at the Davis campus in the amount of $11,525 (3.5 percent) from $330,475 to $342,000.

[2] This is the current slotting for the Chief Medical Officer position at the San Francisco campus. No change in slotting was recommended by Mercer for this position.

Current base salary is comprised of $226,600 retirement eligible salary and $103,875 in non-retirement eligible salary. Going forward, if SMG designation in this proposal is approved, base salary will no longer be split.

d. No salary adjustment is proposed at this time for Thomas Rosenthal at the Los Angeles campus. The salary for Dr. Rosenthal will be addressed under separate cover at the November 2008 Regents meeting.

e. No salary action is proposed for the Chief Medical Officer position at the San Francisco campus as it is currently vacant. Salary will be set at the time of appointment.

(4) Effective October 1, 2008.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

J. ***Interim Slotting and Salary Adjustment for David Kraus as Chief Contracting Officer, Medical Center, San Diego Campus***

Approval of the following items in connection with the interim slotting and salary adjustment for David Kraus, Chief Contracting Officer, Medical Center, San Diego campus:

(1) Interim slotting of the position, as recommended by Mercer Human Resource Consulting, at SLCG Grade 107 (Minimum $172,300, Midpoint $218,700, Maximum $265,000).

(2) Per policy, a salary adjustment of $24,000 (12.9 percent) to increase his annual base salary from $186,000 to $210,000. This salary adjustment will preclude him from further merit or equity increase consideration during fiscal year 2008-2009.

(3) Per policy, eligibility to participate in the Clinical Enterprise Management Recognition Plan (CEMRP), with a maximum payout of up to 20 percent of base salary annually.

(4) Effective September 1, 2008.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

K. ***Salary Adjustment for Kathleen Dracup as Dean–School of Nursing, San Francisco Campus***

Approval of the following compensation for Kathleen Dracup as Dean–School of Nursing, San Francisco campus:

(1) Per policy, a base salary increase of $41,100 (16.5 percent), increasing her base from $248,900 to $290,000 at SLCG Grade 108 (Minimum $192,300, Midpoint $244,900, Maximum $297,400).

(2) Per policy, $60,000 in Health Sciences Compensation Plan (HSCP) base pay.

(3) Per policy, continued participation in the Mortgage Origination Program.

(4) Effective September 1, 2008.

(5) Ms. Dracup will not be eligible for consideration in the merit/equity program until October 2009.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, accrual of sabbatical credits as a member of faculty.
- Per policy, continued ineligibility to participate in the Senior Management Supplemental Benefit Program due to holding a dual tenured appointment.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

L. ***Salary Adjustment for Mary Anne Koda-Kimble as Dean–School of Pharmacy, San Francisco Campus***

Approval of the following compensation for Mary Anne Koda-Kimble as Dean–School of Pharmacy, San Francisco campus:

(1) Per policy, a base salary increase of $11,200 (4.0 percent), increasing base pay from $278,800 to $290,000 at SLCG Grade 108 (Minimum $192,300, Midpoint $244,900, Maximum $297,400). This appointment is at 100 percent time.

(2) Per policy, $60,000 in Health Sciences Compensation Plan (HSCP) base pay.

(3) Effective September 1, 2008.

(4) Ms. Koda-Kimble will not be eligible for consideration in the merit/equity program until October 2009.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, continued eligibility to participate in the Senior Management Supplemental Benefit Program at the rate of 5 percent.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

M. ***Interim Slotting and Salary Adjustment for Lucia Kwan as Director–Revenue Cycle Services, Medical Center, San Francisco Campus***

Approval of the following compensation for Lucia Kwan as Director–Revenue Cycle Services, Medical Center, San Francisco campus:

(1) Interim slotting as Director–Revenue Cycle Services at SLCG Grade 107 (Minimum $172,300, Midpoint $218,700, Maximum $265,000), as recommended by Mercer Human Resource Consulting.

(2) Per policy, a base salary increase of 10.0 percent ($18,150) to increase her current annual salary of $181,500 to $199,650. This appointment is at 100 percent time.

(3) Per policy, continued eligibility to participate in the Medical Center Incentive Award Plan (MC IAP) with a maximum potential payout of up to 15.0 percent of base salary ($29,948).

(4) Effective retroactive to July 1, 2008.

(5) Ms. Kwan will not be eligible for consideration in the merit/equity program until October 2009.

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by the Regents.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner reported that the Committee had reviewed 13 individual items in Closed Session. He pointed out that these 13 items contained 37 separate actions. Of these, 8 represented exceptions to policy and 3 were associated with the extension of existing stipends beyond the one year under existing policy.

Upon motion duly made and seconded, the Committee approved the President's recommendations and voted to present them to the Board.

3. **REPORT ON COSTS FOR CERTAIN UNIVERSITY OF CALIFORNIA-DESIGNATED KEY PERSONNEL AT LOS ALAMOS NATIONAL SECURITY, LLC (LANS) AS DISCUSSED IN CLOSED SESSION**

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner noted that this was an information item and that no action was required. He recalled that when Los Alamos National Security (LANS) took over the contract to manage the Los Alamos National Laboratory (LANL), each partner took responsibility for the non-reimbursed portion of compensation for their specific designated key personnel. The University has taken on this responsibility for the UC-designated LANS key personnel for the past two years. Though not required to do so, the LANS partners are now willing to share the retention costs for the cases described in the item as they consider retention of the individuals necessary to meet the mission of the laboratory. In accordance with the methodology agreed upon in the operating agreement, the estimated total retention cost of $1,362,870 will be split equally between the partners and the University. Committee Chair Varner added that these actions have been approved by the Executive Committee of LANS in accordance with the LANS Operating Agreement for sharing non-reimbursed costs or expenses.

4. **APPROVAL OF RECOMMENDATIONS FOR BASE SALARY ADJUSTMENTS FOR CERTAIN ATTORNEYS IN THE OFFICE OF THE GENERAL COUNSEL AS DISCUSSED IN CLOSED SESSION**

The President recommended approval of the following equity increase expenditure for certain attorneys within the Office of General Counsel (OGC) and specific increases for attorneys whose total cash compensation exceeds the Indexed Compensation Level (ICL) of $205,000:

A. A total expenditure of $742,385 to fund individual base salary equity increases for 51 attorneys, effective September 1, 2008, as the first phase of a two-phase market competitive initiative. Attorneys whose total cash compensation exceeds the ICL of $205,000 are identified for specific Regental approval in Attachment 1.

B. Individuals receiving equity increases will be eligible to participate in the 2008 merit increase process.

The compensation described above, and in Attachment 1, shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner recalled that in March 2008, the Regents approved the slotting structure for positions at the Office of General Counsel, at Oakland and throughout the campuses and medical centers. He explained that this item proposes increases for certain attorneys within the Office of General Counsel and represents the first of two steps in an effort to bring attorneys' salaries to market-competitive rates. The first phase proposes a total expenditure of $742,385 to fund individual base salary increases for 51 attorneys.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

5. **APPROVAL OF TOTAL COMPENSATION FOR SENIOR VICE PRESIDENT–HEALTH SCIENCES AND SERVICES, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

A. The President recommended establishment and interim slotting of the new Senior Vice President–Health Sciences and Services position in the Senior Management Group and at SLCG Grade 115 (Minimum $416,300, Midpoint $541,200, Maximum $666,100). This slotting is consistent with the recommendation of Mercer Human Resource Consulting Group.

B. The President further recommended that an annual salary of $580,000 be approved, along with the following items listed below.

(1) Per policy, participation in the Clinical Enterprise Management Recognition Plan at a target of 20 percent of base salary per year with a maximum payout capped at 25 percent for results that far exceed expectations for the year. Payout will be based on performance and contribution against pre-determined goals and objectives established by the President. Assessment of performance will be provided by the President and the Chair of the Regents' Committee on Health Services. The award opportunity may be prorated in Dr. Stobo's first year to account for the partial year's service based on his start date.

(2) As an exception to policy, reimbursement of actual reasonable costs associated with temporary living expenses for up to 6 months, not to exceed $25,000, to assist with the transition of Dr. Stobo from his current location to Oakland.

(3) Per policy, a relocation allowance of $145,000 (25 percent of proposed annual salary). Policy allows for a relocation allowance of up to 25 percent of base salary. This allowance may be paid in a single lump sum or installments from the date of hire, to offset the costs of relocating Dr. Stobo's home from Galveston, Texas to the Bay Area. If a lump sum payment is made and Dr. Stobo resigns within the first 4 years of his appointment, this payment is subject to the following repayment schedule: 100 percent if within the first year; 60 percent if within the second year; 30 percent if within the third year; and 10 percent if within the fourth year.

(4) As an exception to policy, reimbursement for up to two roundtrip coach class airfares for Dr. Stobo and his spouse plus reasonable accommodation expenses between Texas and the San Francisco Bay Area to be used before Dr. Stobo's start date.

Additional compensation and related items include:

- Per policy, an automobile allowance of $8,916 per year.

- Per policy, reimbursement of reasonable costs associated with the move from his current residence to the Bay Area. The move must be completed within one year of the start date and can be accomplished in one or more stages.
- Per policy, participation in the Mortgage Origination Program (MOP), available to be exercised within a period not to exceed 24 months from date of employment.
- Per policy, Administrative Fund for official entertainment and other purposes permitted by University Policy.
- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance, executive business travel insurance, and executive salary continuation for disability).
- Per policy, participation in the Senior Management Supplemental Benefit Program at 5 percent.

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner noted that this item concerned approval of compensation for Dr. John D. Stobo as Senior Vice President–Health Sciences and Services, reporting directly to the President.

Executive Director Larsen explained that this position was created by combining the duties of the former Vice President–Clinical Development and the Vice President–Health Sciences. The position will be in the Senior Management Group at Grade 115, as recommended by Mercer Human Resource Consulting. The appointment of Dr. Stobo would be effective on or about October 1, 2008. The position will report directly to the President. Mr. Larsen noted that an annual salary of $580,000 is proposed and enumerated the additional compensation items.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

President Yudof expressed gratitude to the Committee for approval of this recommendation and introduced Dr. Stobo.

Dr. Stobo expressed enthusiasm at joining the administration of the University, and looked forward to working with the Regents, President Yudof, and the leadership of the campuses, to implementing programs that will advance health in California, the nation, and the world, and to implementing these programs in a manner such that the total outcome far exceeds the sum of individual contributions.

6. **AMENDMENT OF REGENTS' DELEGATION OF AUTHORITY FOR RECRUITING AND NEGOTIATION PARAMETERS FOR CERTAIN ATHLETIC POSITIONS AND COACHES, SYSTEMWIDE**

The President recommended that the delegation of authority adopted on July 19, 2007, regarding recruiting and negotiation parameters for certain athletic positions and coaches, systemwide, be amended to clarify and streamline the delegation.

Deletions shown by strikeout, additions by underscore

The Regents delegate authority to the President and further authorize delegations from the President to the Chancellors, to negotiate and ~~finalize~~ approve compensation contracts. The Chancellor may further delegate to his/her designee authority to negotiate contracts for certain athletic positions and all men's and women's athletic coaches. This request for amendments to the delegation of authority is the result of having assessed the effectiveness of the current delegations upon implementation. These resultant delegations are specific and limited to the following circumstances, terms and conditions.

A. Approval of delegations to negotiate compensation contracts for certain athletic positions and all men's and women's athletic coaches, as defined below, to be used in two specific circumstances.

(1) Pre-emptive or Active Retention – When the Chancellor, or his/her designee, needs to negotiate with an incumbent coach as a result of that coach receiving an expression of serious interest of employment from another entity, an actual offer of employment from another entity, or having achieved such accomplishments that he/she becomes significantly more marketable.

(2) Replacement – After ~~the termination of~~ a coach leaves his/her position either by his/her own choice or by the department's choice, the Chancellor, or his/her designee, must immediately negotiate with candidates ~~as a~~ to replace~~ment~~ ~~for~~ the coach who is ~~terminating~~ leaving his/her position.

B. Approval of the following parameters for delegation of authority:

(1) Guaranteed Compensation – Authority to negotiate an increase of up to 30 percent on the annual guaranteed compensation (defined as salary and talent fees). This authority applies the 30 percent limit to the change from the previous year's contract to the first year of the renewed contract or between the previous incumbent's final contract year in the position and the first year of the new contract and assumes equal applicability of that number to each contract year and a 30 percent limit to the overall cumulative total (before and after negotiation) for Guaranteed Compensation under the new and old contracts adjusted so that a change in contract duration does not impact the comparison.

(2) Maximum Bonus (exclusive of a signing bonus) – Authority to negotiate an increase of up to 15 percent or $30,000, whichever is higher, on all incentives or bonuses. This authority applies the 15 percent limit to the ~~overall cumulative total (before and after negotiation) for Maximum Bonus under the new and old contracts.~~ change from the previous year's contract to the first year of the renewed contract or between the previous incumbent's final contract year in the position and the first year of the new contract. The $30,000 maximum dollar amount allows for the addition of a bonus where none existed before or the enhancement of a very small bonus opportunity. Subsequent year's increases will be no more than 5 percent per contract-year.

(3) Deferred Compensation – Authority to negotiate ~~an increase of up to 15 percent on any deferred compensation. This authority applies the 15 percent limit to the overall cumulative total (before and after negotiation) for Deferred Compensation under the new and old contracts~~ deferred compensation up to a total of no more than the equivalent of the first year's guaranteed compensation.

(4) Camps – Authority to negotiate an increase of up to 30 percent ~~on compensation earned from camps. This authority applies the 30 percent limit to the overall cumulative total (before and after negotiation) for Camp income under the new and old contracts~~ over the percent of compensation received from camp income. This authority applies the 30 percent limit to the change from the previous year's contract to the first year of the renewed contract or between the previous incumbent's final contract year in the position and the first year of the new contract. In the case where the contract does not state a maximum, then the comparison is from the actual income attributed to the position during the preceding year. Subsequent year's increases will be no more than 5 percent per contract-year.

(5) Benefits – Authority to offer the same system-wide benefits, including vacation, sick leave, disability, and standard University of California pension, health and welfare benefits under the programs and policies pertaining to all employees of the University.

(6) Signing Bonus – Authority to offer a one time signing bonus of no more than 33 percent of the first year's guaranteed compensation.

(7) Other – Authority to negotiate providing courtesy vehicles (supplied by donors/contributors), including payments in lieu of a car to a maximum of $5,400 or the imputed value of the car, whichever is higher, per contract-year; reimbursement of up to 100% of actual and reasonable moving expenses; reimbursement of actual and reasonable costs for up to 30 non-

consecutive days of housing at the time of the move; and non-cash compensation such as club memberships and other perquisites, consistent with standard practices.

C. Approval of delegation of authority under the defined parameters, above, for all men's and/or women's coaches and assistant coaches ~~football offensive/defensive coordinators~~ whose new potential total cash compensation exceeds the Indexed Compensation Level, currently set at ~~$200,000~~ $205,000 per annum.

D. It is proposed that this specific set of delegations will be reviewed by the Regents annually ~~along with a~~ . A ~~along with a~~ full reporting of all coaches whose total cash compensation exceeds the Indexed Compensation Level will be provided to the Regents in The Annual Report on Executive Compensation. In addition, any actions taken under this delegation by Chancellors will be reported publicly at the next Regents' meeting in the same manner as interim actions. The Office of the President will be responsible for providing corresponding updated market and comparability data to the Regents as part of the annual reporting process.

Any proposals exceeding the levels or parameters noted above would continue to require submission to and advance approval by the Regents. In addition, if the new contract includes exceptions to policy, except as noted above, advance approval by the Regents will be required.

Termination and liability clauses limiting the University's obligations will be used in all contracts. In all cases, if the final contract has not been signed by all parties prior to the commencement of the individual's first day of active employment, the campus will work with the Office of the General Counsel to ensure that appropriate language is used in conjunction with the memorandum of agreement (initial term sheet) that must then be signed by all parties before the individual can begin active employment. Each final contract will require the review and sign off by the Office of the General Counsel.

If the funding of a coach's contract comes from sources other than athletic department revenues (including athletic equipment supplier agreements) or private fundraising, this will require Regental review and approval.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner explained that the original delegation passed by the Regents in July 2007 allows campuses to take immediate action to secure the services of individuals for certain athletic and coach positions when the pre-established parameters contained in the delegation are met. The delegation also called for an annual review to ensure that it is functioning in the manner intended by the Regents. With the completion of one year under the delegation, the effectiveness of the delegation was reviewed with the conclusion that, while it had improved the campuses' ability to respond in most circumstances, there were some areas that needed clarification. The current amendment to the delegation was recommended to address these issues and was the result of consultation with the campuses and the Office of General Counsel.

Executive Director Larsen pointed out two major features of the amendment. One significant issue was the problem associated with the attempt to capture the time-based value of contracts. The new language removes the effect of the cumulative total and instead considers each contract year separately. Another substantive change is a delegation which will allow certain individuals below the level of chancellor to negotiate on behalf of a chancellor. The chancellor will still approve the final negotiations. Mr. Larsen informed the Committee that the words "as defined below" would be removed from the paragraph A. of the item in its final approved version.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

7. **PROPOSED SALARY ADMINISTRATION POLICY FOR SENIOR MANAGEMENT STAFF**

The President recommended approval to establish and implement the proposed salary administration policy, *Senior Management Group Salary and Appointment Policy*, as shown in Attachment 2, for senior management staff effective January 1, 2009.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner recalled that this item was discussed at the July 2008 meeting. As a result of that discussion, revisions were made to this proposed policy, which was now presented for approval. The proposed policy is consistent with and supportive of the recommendations contained in the Report of the Task Force on UC Compensation, Accountability and Transparency, approved by the Regents in May 2006. He noted that the Regents will retain approval authority for all actions, including all compensation-related matters for employees in the Senior Management Group personnel program.

Executive Director Larsen reiterated that this policy was presented to the Regents as a discussion item in July. He cited the Principles Governing Executive Compensation Programs, according to which discussions of and actions on executive compensation programs should occur in open session of the former Subcommittee on Officers' Salaries and Administrative Funds and/or the Committee on Finance. Final action regarding such programs should occur in open session of the Board at a meeting held no sooner than twenty days following the meeting at which a recommendation requiring Board approval shall have been approved by the Committee on Finance.

Mr. Larsen explained that the new Senior Management Group (SMG) salary administration policy for senior management staff is proposed to be effective January 1, 2009. The proposed policy provides clear, comprehensive direction for salary-setting and defines responsibility and accountability for these salary actions and all other appointment-related actions for the SMG staff, totaling approximately 340 individuals. The policy establishes a salary administration framework to guide pay decisions that are based upon a number of key factors such as documented performance and contribution, supporting compensation studies and analyses, including competitive compensation market data, position in the salary range, and peer and other internal comparative data.

Mr. Larsen noted that the following item to be presented in this meeting would propose a framework to establish approval authority for non-SMG staff with cash compensation above the Indexed Compensation Level (ICL). That proposal would establish a clear mechanism for approvals of compensation actions within policy and heightened reviews and approvals of any actions that are exceptions to policy. It would include establishing a bi-monthly transaction monitoring report.

Mr. Larsen informed the Committee that, consistent with current practices regarding SMG actions, the University will continue its annual reports to the Regents and Legislature on total compensation, annual audits of total compensation, and public disclosure of compensation actions.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

8. **COMPENSATION APPROVAL AUTHORITY AND GOVERNANCE FOR THOSE POSITIONS SLOTTED IN THE SENIOR LEADERSHIP COMPENSATION GROUP SALARY RANGE STRUCTURE AND OTHER SPECIFIED EMPLOYEES**

The President recommended extension and modification of the July 18, 2007 Regents action (*Procedures for Setting Compensation in 2007 For Those Classified in the Senior Leadership Compensation Group and Other Specified Non-faculty Employees(OSE*)). This proposal applies to non-Senior Management Group (SMG) staff, as follows:

A. Adjusting the Indexed Compensation Level (ICL) to $275,000 effective September 1, 2008.

The ICL will be automatically adjusted each year in September based on the annual increase in the California Consumer Price Index (CPI) Urban Consumers for all items as determined by the Bureau of Labor Statistics.

B. Requiring, as a key component of this governance model, a bi-monthly transaction monitoring report to be provided to the Regents at each meeting, displaying all compensation actions, including exceptions under current policy or actions not expressly stated in policy, for the population described above.

Upon approval of the new SMG Salary and Appointment Policy, all compensation actions affecting SMG employees will be subject to Regental approval, regardless of the type of action or magnitude of increase.

C. Authorizing the Office of the President, Human Resources and Benefits office to implement the proposed amendments.

D. Applying the ICL threshold and provisions in this document to the following populations:

(1) Senior Management Group employees, until such time as the new SMG Salary Policy becomes effective.

(2) Other Specified Employees, as designated by Office of the President, Human Resources and Benefits, such as Athletic Directors and Coaches.

(3) Non-SMG employees whose positions have been slotted in the Senior Leadership Compensation Group Salary Range Structure, and

(4) Non-SMG employees not subject, exclusively, to the provisions of the Academic Personnel Manual.

E. Requiring that, when determining if an employee's total cash compensation meets or exceeds the ICL, thereby subjecting the proposal to Chancellor, President and/or Regental review, the following elements of compensation shall be included:

(1) Annualized base salary, plus any maximum potential bonus or incentives, plus relocation allowance, plus annualized stipend and any other cash compensation.

(2) If an employee has a UC appointment at less than 100 percent time with no other appointments at UC, the total compensation at that appointment rate will be used and not the conversion to derive a "full time equivalent" amount.

F. Requiring that, in addition to the applicability of the ICL, this same non-SMG employee population will be subject to the provisions of *Personnel Policies for Staff Members (PPSM) 30 Salary*, which includes section (H) specifying, "an employee's total salary increase …shall not exceed 25 percent." This PPSM policy shall, for the purposes of tracking and reporting under this proposal, be amended to reflect calendar year rather than fiscal year, and will reflect accumulation of all increases to base salary such as merit, promotional, equity, and retention. Cumulative, calendar year increases greater than 25 percent will constitute an exception to policy for SMG employees until such time as the new SMG Salary Policy becomes effective.

In addition, other provisions of *Personnel Policies for Staff Members (PPSM)* will be amended to reflect, as necessary, the provisions contained in this document, such as the Approval Authority and Governance described below.

G. Applying the approval authority matrix shown below, as previously presented to the Regents for discussion in March 2008.

Approval Authority and Governance for Non-SMG Employees Above the ICL
(SMG employees are subject to SMG Salary Administration Policy)

Population	**Approval Authority for Actions Within Policy**	**Approval Authority for Actions Outside Policy**	**Approximate Number of Non-SMG Employees Above ICL ($205K)**	**Approximate Number of Non-SMG Employees Above the Proposed ICL ($275K)**
Non-SMG Direct Reports to the President	Regents	Regents	**0**	**0**
Other Non-SMG UCOP Employees	President	Regents	**22**	**6**
Non-SMG Direct Reports to the Chancellors or Laboratory Director	President	Regents	**0**	**0**
Non-SMG Campus Employees	Chancellor	President	**106**	**19**
Non-SMG LBNL Employees	LBNL Director	President	**24**	**9**

H. Requiring the Regents to continue to approve the following:

(1) All interim slotting recommendations for assigning SLCG grades to positions.

(2) Establishment and/or revision to SLCG salary grades and ranges.

(3) Annual goal-setting for obtaining, prioritizing, and directing funds to achieve market comparability for all groups of employees.

(4) Determination of annual salary increase budget, including priorities for addressing specific groups of employees.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner informed the Committee that the item presented recommendations for the extension and modification of the July 18, 2007 Regents' item *Procedures for Setting Compensation in 2007 For Those Classified in the Senior Leadership Compensation Group and Other Specified Non-faculty Employees (OSE*). He explained that the proposal establishes a governance mechanism and approval authority for actions pertaining to non-Senior Management Group (SMG) staff whose cash compensation exceeds the Indexed Compensation Level (ICL). These are individuals whose compensation requires Board approval because their cash compensation exceeds the ICL. Otherwise they would not require Board approval.

The ICL determines the volume of non-SMG transactions that are subject to Regental review and approval. Committee Chair Varner noted that the preceding item, just reviewed by the Committee, will require actions for approximately 340 SMG members to be approved by the Regents.

The present item proposes establishing authority and accountability at the President and chancellor level for actions within policy for those above a new annual ICL of $275,000. The proposal also provides heightened review and approval of actions that are exceptions to policy, requiring the additional approval of the President or the Regents. In addition, this action establishes a monitoring and reporting requirement whereby any actions that are taken by the chancellors or President under this governance mechanism will be reported to the Regents at the following meeting.

The University estimates that the number of non-SMG staff subject to these proposed guidelines totals approximately 34 individuals, bringing the total number of employees subject to Regental approval, when combined with the 340 SMG members, to approximately 374. This is a reduction of about 100 positions.

Executive Director Larsen explained that this proposal incorporates concepts endorsed by the Regents in March 2008, establishing the approval authority for compensation and related actions for non-SMG employees whose annual compensation exceeds the ICL. Actions within policy for non-SMG employees above the ICL will be approved by the President for his staff and the chancellors for their staff members. Actions that are exceptions to policy will require a higher level of review and approval, that of the President for any of the chancellors' actions or the Regents for any of the President's actions. A key feature of this authority will be ongoing monitoring reports presented to the Regents at each meeting and covering the actions taken by the chancellors and the President since the previous meeting. The reporting will capture details of these actions showing a "before" and "after" picture, including a flagging of actions that are exceptions to policy.

The Regents will continue to approve all interim slotting recommendations for assigning Senior Leadership Compensation Group grades to positions, including any revision to the salary grades and ranges; annual goal-setting for obtaining, prioritizing, and directing funds to achieve market comparability for all groups of employees; and determination of an annual salary increase budget, including priorities for addressing specific groups of employees.

Effective upon Regental approval, this item proposes adjusting the Indexed Compensation Level that governs the volume of transactions that the Regents review and approve to $275,000 from its current level of $205,000. This would capture approximately 34 individuals. Further adjustments to the ICL will occur automatically, each September, based on the annual increase in the California Consumer Price Index (CPI).

Upon Regental approval, UC Office of the President, Human Resources and Benefits will implement the new ICL and provisions in this proposal applying it to the following populations: Senior Management Group (SMG) employees, until such time as the new SMG Salary Policy becomes effective, currently targeted for January 1, 2009; Other Specified Employees (OSE), as designated by Office of the President, Human Resources and Benefits, such as athletic directors and coaches; employees whose positions have been slotted in the Senior Leadership Compensation Group Salary Range Structure; and employees not subject, exclusively, to the provisions of the Academic Personnel Manual.

In addition to the applicability of the ICL, this same employee population will be subject to the provisions of Personnel Policies for Staff Members (PPSM) 30 Salary, which includes a section that specifies that "an employee's total salary increase… shall not exceed 25 percent." This PPSM policy will reflect the accumulation of all increases to base salary such as merit, promotional, equity, and retention. Cumulative, calendar year increases greater than 25 percent will constitute an exception to policy for SMG employees until such time as the new SMG Salary Policy becomes effective. Mr. Larsen noted that all SMG actions continue to be brought before the Regents under the new policy. In addition, other provisions of the Personnel Policies for Staff Members (PPSM) will be amended to reflect, as necessary, the provisions contained in this document, such as the Approval Authority and Governance described in the item.

Committee Chair Varner remarked that this item was consistent with the Regents' direction to revise compensation policies. He praised the work of Mr. Larsen, Executive Vice President Lapp, and other University staff in bringing policies up to date, work which will allow the Regents to deal with more strategic matters.

Regent Hopkinson described this and the previous item as entirely appropriate in the context of the cultural change the University is now attempting to make permanent. She advocated rethinking and reevaluation of original policies which might have been stringent because of the needs of an earlier time.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

9. **APPROVAL OF THE POLICY ON REEMPLOYMENT OF UNIVERSITY OF CALIFORNIA RETIRED EMPLOYEES INTO SENIOR MANAGEMENT GROUP AND STAFF POSITIONS AND AMENDMENT TO THE UNIVERSITY OF CALIFORNIA RETIREMENT PLAN REGARDING NORMAL RETIREMENT AGE**

The President recommended that the Regents approve:

A. The proposed policy on *Reemployment of UC Retired Employees Into Senior Management Group and Staff Positions* (shown in Attachment 3);

B. Clarification of the definition of "normal retirement age" to refer to age 50 plus a minimum of 5 years of UCRP Service Credit for Safety Members and age 60 plus a minimum of 5 years of UCRP Service Credit for all other Members; and

C. Delegation of authority to the Plan Administrator to implement the UCRP amendment.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Associate Vice President Boyette recalled that this action item was presented for discussion in July. It recommends approval of a new policy governing reemployment of former UC employees who have separated from UC employment and have elected either a monthly retirement income or a lump sum payout. The item recommends approval of an amendment to the retirement plan, defining normal retirement age for safety members to be age 50, and to be age 60 for other members, with a minimum of 5 years of service credit for both. This action will make the retirement plan conform to the new Reemployment of Retired Employees policy, which references the normal retirement age.

Ms. Boyette noted that this new policy addresses several UC concerns which were not clear under existing guidelines. It includes limitations on the appointment percentage for reemployment and on the duration of employment. It clarifies the review and approval process and provides an expansion of reporting requirements. Ms. Boyette pointed out that all changes to the policy are a reflection of feedback received from the Regents and the UC community.

Faculty Representative Croughan informed the Committee that the Academic Senate has not had an opportunity to review this item, due to its summer recess. She noted that President Yudof has agreed to allow the item to be brought back to the Committee for revision if there are significant changes the Academic Senate wishes to propose. She enumerated some concerns already identified in informal review, which found the policy to be too restrictive. One issue is the lower benefit cost of these rehired employees, at

43 percent time, compared to employees who are not retirees. Another concern is that the policy retirement ages are set differently than those of the IRS and Medicare. She stated that the Academic Senate will likely request a change on this last point, such as a change in language to refer to “retirees who have not yet reached normal retirement age.” She also expressed concern that the activities of the nationally recognized UC Berkeley Retirement Center, which places UC retirees in work programs, would likely cease as a result of this policy. Ms. Croughan anticipated that the item will come forward again at the November meeting.

Committee Chair Varner expressed the hope that, as the University updates its compensation policies, these policies will be dynamic and not rigid.

Regent Hopkinson opined that, while it is appropriate and beneficial to have input from the Academic Senate on this issue, she did not see this as a shared governance issue. She asked that this be discussed at a future time.

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board.

10. **PROPOSED COMPENSATION AND RELATED POLICIES FOR SENIOR MANAGEMENT GROUP MEMBERS**

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Varner noted that this discussion item concerned five proposed policies applicable to the Senior Management Group, on hiring bonuses, on University-provided housing, on automobile allowances, on moving reimbursement, and on relocation allowances, shown in Attachments 4 to 8.

Executive Director Larsen explained that these proposed policies have been developed as part of the ongoing review of the University’s policies and practices on senior management compensation, an effort that was initiated at the request of the Regents in response to the findings of the Task Force on UC Compensation, Accountability and Transparency. The five policies presented for discussion represent a subset of the overall framework of policies related to senior management compensation at the University.

Mr. Larsen recalled that the Regents acted on the SMG Performance Management policy in July 2008, and noted that the SMG Salary and Appointments Policy as well as the Rehired Retirees Policy were being addressed at this meeting. He informed the Committee that consultation and review continue on a number of additional SMG policies that will be presented at future meetings, including policies on absence from work (including vacation), termination of appointment and separation agreements, transitional leave, and outside professional activities.

The policies presented are intended to strengthen recruitment efforts by aligning the University with market-competitive practices and to provide clearer language to facilitate consistent interpretation systemwide. They incorporate a new policy template which clearly identifies approval authority, reporting and compliance requirements, and responsible policy officers.

Mr. Larsen outlined key elements of the policies. He identified the Hiring Bonus Policy as a new policy and noted that the use of hiring bonuses is not addressed in current policy for SMG members, but does exist for staff at lower levels. The policy supports the objective to recruit exceptional external talent for SMG positions. It eliminates the practice of using other benefits or compensation, including heightened base salary, in lieu of a hiring bonus, thereby increasing transparency, and reducing fixed, recurring costs such as increased base salaries. It defines specific eligibility criteria, limits the maximum amount of a hiring bonus to 20 percent of proposed starting base salary, and limits the combined amounts of a hiring bonus and relocation allowance to 30 percent of the proposed starting base salary. Repayment provisions will be documented in the offer letter to the individual. In the event the employee separates from UC employment prior to completing the agreed-upon period of service, at least two years, there will be a repayment clause.

The University-Provided Housing Policy is a revised policy. It incorporates current policy (Business and Finance Bulletin G-45, and the March 22, 2006 letter from the President to the Chancellors regarding Renovation and Remodeling of Chancellors' Residences and Offices) into the new SMG policy. It clarifies approval authority for renovation and remodeling of executive officers' residences, reimbursement provisions for both moving in and moving out of University-provided housing and the request process in the event that alternative housing arrangements are required. The policy achieves consistency in establishing $25,000 as the threshold requiring higher levels of approval for capital improvements. This threshold was previously $10,000 for the President's residence as opposed to $25,000 for chancellors.

The third policy, the Automobile Allowance Policy, is being streamlined and simplified. The revised policy eliminates the option for a leased automobile, providing a monthly auto allowance instead. It defines the list of eligible positions, and requires approval of the Regents to add an SMG position to receive an automobile allowance. It requires reporting to the President and the Regents of any payments made under the policy.

The Moving Reimbursement Policy defines eligibility criteria and provides reimbursement of temporary housing-related expenses while the appointee and/or members of his or her household seek permanent housing, increasing the time from 30 days to 90 days. It increases reimbursable costs for storage from 30 days to 60 days. The policy provides for reimbursement of actual and reasonable expenses in accordance with Business and Finance Bulletin G-28, Policy and Regulations Governing Travel, and requires documented repayment provisions in the event the employee separates prior to completing one year of service.

Turning to the Relocation Allowance Policy, Mr. Larsen noted that repayment provisions will be documented in the offer letter in the event the employee separates from UC employment prior to completing the agreed-upon period of service of at least two years. Previous policy did not provide for relocation allowance for moves within California. That geographic limitation has now been removed. The policy references increased costs associated with relocation as one of the key determining criteria for an individual to be considered eligible for this allowance. This policy establishes a combined limit with the proposed Hiring Bonus Policy. If both a hiring bonus and relocation allowance are offered, the combined amounts cannot exceed 30 percent of the proposed starting base salary. The relocation allowance is currently limited to 25 percent of base salary, and this limit is being maintained.

Mr. Larsen concluded that, following the present discussion, the University intends that these five policies will undergo additional management, faculty and legal review prior to being submitted for approval to the Regents.

Committee Chair Varner thanked Mr. Larsen, Associate Vice President Boyette, and Executive Vice President Lapp for their work on updating these policies and ensuring their consistency. He advised the Regents that, after the present discussion, they might provide specific comments to Mr. Larsen. He anticipated that the item would be brought back to the Committee for action at the November meeting, following legal review.

Regent Hopkinson welcomed the policies and opined that they would make the University's work easier and simpler. She suggested that an inflation adjustment be incorporated in the Automobile Allowance Policy. She suggested that the specific intention of the Relocation Allowance Policy be more clearly articulated in the policy document. She stressed that the relocation allowance is not intended to be used as a hiring bonus. She opined that the 30 percent limit for the hiring bonus and the relocation allowance might be low, and suggested that a higher percentage might be appropriate.

Regent Johnson asked if the University has a policy on retention bonuses. Mr. Larsen responded that there is not a specific policy or specific limitations on retention bonuses, which are reviewed on a case-by-case basis. The practice of the University is to respond when there is a need to retain an individual. This can take the form of a Mortgage Origination Program loan, cash addition to base salary, or other incentive. In response to another question asked by Regent Johnson, Mr. Larsen noted that retention increases are addressed in the new SMG Salary and Appointment Policy in section III. F.

Regent-designate Stovitz emphasized the importance of documentation of the business justification for any bonus and suggested that, in Attachment 4, on page 3 of the proposed Hiring Bonus Policy, in the sentence: "Before offering a hiring bonus, the hiring manager should document the business justification for the bonus and confirm that the justification and the bonus amount are consistent with local practice," the word "should" be replaced by "shall," to make an emphatic rather than a precatory statement.

11. **PUBLIC COMMENT**

The following persons addressed the Committee concerning the items noted.

A. Ms. Beka Smith criticized the University for its involvement with nuclear weapons research and development and stated that the U.S. plans to reconfigure every nuclear warhead in its arsenal and is in violation of the Nuclear Non-Proliferation Treaty.

B. Mr. Steve Stormoen, a UC Santa Cruz alumnus, stated that he wished to discuss the University's role in managing the nuclear weapons laboratories with the Regents, and provided his personal telephone number. He stressed that multilateral nuclear disarmament will require U.S. leadership.

The meeting adjourned at 11:25 a.m.

Attest:

Secretary and Chief of Staff

Location	Last Name, First Name	Interim Slotting	Title	Current Annual Base Salary (100% Equivalent)	Phase 1 Annual Base Salary Increase ($)	Phase 1 Annual Base Salary Increase %	Proposed Base Salary Effective 9/1/08	Additional Cash Compensation
Oakland	BLAIR,JEFFREY A	105	Senior Counsel & Acting Deputy General Counsel	$ 164,220	$11,601	7.06%	$ 175,821	Acting Stipend :Resultant Base Salary of $228,200
Oakland	BIRNBAUM,DAVID MARK	105	Senior Counsel & Acting Deputy General Counsel	$ 167,045	$10,330	6.18%	$ 177,375	Acting Stipend : Resultant Base Salary of $225,000
Oakland	BEAM,JOANNA MCKEE	106	Principal Counsel & Acting Deputy General Counsel	$ 200,200	$2,160	1.08%	$ 202,360	Acting Stipend : Resultant Base Salary of $225,000
UCD	Drown, Steven	108	Chief Campus Counsel	$ 178,300	$26,745	15.00%	$ 205,045	
UCSD	Park, Dan	108	Chief Campus Counsel	$ 185,000	$22,500	12.16%	$ 207,500	
UCI	Geocaris, Diane F.	108	Chief Campus Counsel	$ 196,900	$26,145	13.28%	$ 223,045	
UCSF	Canning, Marcia	108	Chief Campus Counsel	$ 217,200	$17,010	7.83%	$ 234,210	SRDP Nominee
SLCG GRADE	Minimum	Mid Point	Maximum					
105	$ 138,200.00	$ 174,300.00	$ 210,400.00					
106	$ 154,200.00	$ 195,200.00	$ 236,100.00					
108	$ 192,300.00	$ 244,900.00	$ 297,400.00					

*Target subject to reevaluation (re merit, market, funding etc.)

University of California Compensation Policy # 2.110

Senior Management Group Salary and Appointment

8/26/08

Responsible Officer: Associate Vice President–Human Resources and Benefits

Responsible Office: Human Resources and Benefits Policy and Program Design

Effective Date: January 1, 2009

Next Review Date: To be determined

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 polices and procedures.]

CONTENTS

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

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.*

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.

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

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

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.

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.

Executive Officer: The President for the Office of the President, Chancellor, or Laboratory Director.

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:

a. determining the position's key functions, responsibilities, and other Compensable Factors.

b. evaluating and comparing the subject job'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 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. Please refer to Section IV of this policy for additional information.

2. <u>Purpose of Salary Ranges</u>

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

3. <u>Adjustments of Salary Ranges</u>

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 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. Please refer to Section IV of this policy for additional information.

4. <u>Position in Salary Range</u>

The University's ability to pay competitively (total compensation) in regional and national marketplaces ultimately affects our 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 contribution, 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 the policy sections B - J, below.

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 sustained and documented 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 demonstrated, 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 person'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

   Senior Management Group openings shall be filled through the appointment of applicants who, in the judgment of the hiring authority, possess the qualifications required to perform the position's duties most effectively.

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

2. Authority for Individual Appointment

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

3. Authority to Establish or Abolish Senior Management Positions

   Establishment or abolishment of Senior Management Group positions and assignment of Senior Management Group titles shall be approved by The Regents.

4. Nature of Appointment

   A Senior Management appointee serves at-will and an SMG appointment may be terminated at any time with or without cause. A Senior Manager's at-will status cannot be altered except by amendment of this Policy.

   An appointment as a Senior Manager 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 shall be assigned to each Senior Management positions that conveys the organizational level of the position and the nature and scope of the responsibilities assigned. The Regents provide approval of all Senior Management Group 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 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. Please refer to Section IV of this policy for additional information.

C. Merit Increase

1. <u>Basis for Merit Increase</u>

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 our competition. 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. Please refer to Section IV of this policy for additional information.

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

a. The SMG member's annual written performance appraisal and contribution 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. Please refer to Section A4 of this policy for proper salary placement in the range.

Merit increases must be approved by The Regents. Please refer to Section IV of this policy for additional information.

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 "A*bove 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 sustained 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. Please refer to Section IV of this policy for additional information.

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 "A*bove 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; e.g., 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 sustained documented performance is consistently rated at least "Satisfactory".

Equity increases must be approved by the Regents. Please refer to Section IV of this policy for additional information.

When equity funds are made available, they are typically made 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 <u>all</u> 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;

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2. The SMG member's most recent annual performance rating was at least "*Satisfactory*".

Any retention increase recommendation must be approved by The Regents. Please refer to Section IV of this policy for additional information.

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)

A potential transfer between locations occurs when an SMG member considers accepting another comparable SMG position at a location other than their present location. Any salary action recommendations must be based on Position in the Salary Range concepts as presented in Section A4 of this policy, including documented sustained performance and contribution. In such an event, and following the member's tentative acceptance of the offer from the new location, the 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 their current position (e.g. a promotional opportunity or significant departure from their current profession). The intent of this arrangement is to emphasize the career opportunities being presented in each offer and deemphasize 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. Please refer to Section IV of this policy for additional information.

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 contribution.

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 of at least "*Satisfactory*" and contribution are a consideration in such determinations.

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

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 of at least "*Satisfactory*" and contribution are a consideration in such determinations. Salary decreases must be approved by The Regents in accordance with Section IV of this policy.

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 their 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 their 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 warrants such.

These assignments and the accompanying stipends (if appropriate) may be approved 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, shall be based upon guidance provided earlier in this policy regarding incumbent range placement. Additionally, the temporary assignment of a faculty member to an SMG position shall take into account their adjusted faculty salary which is inclusive of an assumption of two and one-half summer ninths. An administrative stipend shall 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. Please refer to Section IV of this policy for additional information.

L. Salary Restriction

An SMG member who is appointed at 100% time shall not receive additional cash compensation from an entity managed exclusively by the University (e.g. Lawrence Berkeley National Laboratory, a UC campus or 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].
5. Academic Deans and Provosts may receive a 1/12 payment for summer research based on their annual Senior Management 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. Please refer to Section IV of this policy for additional information.

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

The Associate Vice President–Human Resources and Benefits is the Responsible Officer for this policy and has the authority to implement the 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 Associate Vice President–Human Resources and Benefits 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 other governance policies [link].

C. Approval of Actions

All salary and appointment actions (actions within this policy, that exceed this policy, or that are not expressly provided for under any policy) must be approved by The Regents. It is expected that an appropriate compensation study will accompany any request for an individual's salary increase.

V. COMPLIANCE

A. Compliance with the Policy

The Associate Vice President–Human Resources and Benefits is accountable for monitoring compliance with this 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 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 Associate Vice President–Human Resources and Benefits 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

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 at each Regents' meeting.

REVISION HISTORY

As a result of the issuance of this policy, the following documents are obsolete:

- 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 [link]

RELATED POLICIES

- Cash Incentive and Recognition Awards Policy (referenced in paragraph L. of the **Policy Text** section of this policy)
- Outside Professional Activities Policy (referenced in paragraph L. of the **Policy Text** section of this policy)

- Bylaws of The Regents *[include the specific Bylaws that are applicable]* (referenced in paragraph B. of the **Approval Authority** section of this policy)
- Standing Orders of The Regents *[include the specific Standing Orders that are applicable]* (referenced in paragraph B. of the **Approval Authority** section of this policy)
- *Specified Other Governance Policies?* (referenced in paragraph C. of the **Approval Authority** section of this policy)
- Guidelines for Corrective Actions Related to Compensation Practices (referenced in paragraph B. of the **Compliance** section of this policy)
- Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews (referenced in paragraph B. of the **Compliance** section of this policy)

FREQUENTLY ASKED QUESTIONS

Temporary Assignments and Administrative Stipends

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 included in the Management and Senior Professional (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.

Attachment 3

University of California Policy #2.325:

Reemployment of UC Retired Employees Into Senior Management Group and Staff Positions

8/21/08 Draft

Responsible Officer: Associate Vice President–Human Resources and Benefits

Responsible Office: Human Resources and Benefits Policy and Program Design

Effective Date: January 1, 2009

Next Review Date: January 1, 2011

Who is Covered: All UC retired employees (Senior Management Group members, including Deans; staff employees; and academic appointees) who are reemployed into Senior Management Group positions or staff positions. Recall appointments for academic appointees are governed by Academic Personnel Policy 200-22 and Academic Personnel Policy 200, Appendices A and B, and the *Guidelines for Rehire of UC Retirees.* Retired employees with underlying faculty appointments who are rehired into SMG or staff positions retain all rights and privileges connected with their underlying faculty appointments.

CONTENTS

I. POLICY SUMMARY

This policy governs the reemployment of all Retired Employees (as defined in Section II. below) into Senior Management Group (SMG) or staff positions.

II. POLICY DEFINITIONS

Career Appointment: An appointment established at a fixed or variable percentage of time at 50 percent or more of full-time, which is expected to continue for one year or longer.

COBRA: The Consolidated Omnibus Budget Reconciliation Act (COBRA), which gives University employees and their covered family members the right to temporarily continue their UC-sponsored group health coverage in situations that would ordinarily cause the individual to lose coverage.

Executive Officer: The President for the Office of the President, Chancellor, or Laboratory Director.

Normal Retirement Age: Normal retirement age under UCRP means age 50 with a minimum of 5 years of service credit for Safety Members and age 60 with a minimum of 5 years of service credit for all other Members.

Retired Employees: Former University employees (SMG members, staff employees, and academic appointees) who have separated from University service and elected monthly retirement income or a lump sum cashout under the University of California Retirement Plan.

Senior Management Group: As defined by Regents Action Item on Governance, dated ___________, 2008.

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. Scope

Retired Employees may be reemployed by the University in accordance with the provisions of this policy, which incorporates requirements developed [1] to address legal concerns regarding preservation of the tax-qualified status of the University of California Retirement Plan (UCRP) as described in Section B. below and [2] to address the University’s concerns regarding operation of a public retirement plan, administrative feasibility, and compliance as described in Section C. below.

B. IRS Restrictions for Preserving the Tax-Qualified Status of UCRP

The Internal Revenue Code imposes restrictions on the timing of the distribution of benefits to participants in defined benefit plans such as UCRP. Generally, payments are permitted when an employee retires or attains normal retirement age. Otherwise, retirement benefits should remain in the plan so they will be available to provide support to participants after they cease working. Failure to satisfy the distribution timing restrictions could disqualify the plan, which could cause the vested benefits of UCRP members to become immediately taxable.

If an employee retires before reaching the normal retirement age under a pension plan, the Internal Revenue Service (IRS) may question whether the employee's retirement is a true separation from service or a strategy to access retirement funds that otherwise would not be available to the employee.

Normal retirement age under UCRP means age 50 with a minimum of 5 years of service credit for Safety members and age 60 with a minimum of 5 years of service credit for all other members. Once an employee attains normal retirement age, the IRS no longer is concerned about an employee's access to retirement funds because those funds were intended to be available at that age.

The following factors support a determination that a true separation from service has occurred for an employee who has not reached normal retirement age:

- The employee and the employer did not engage in discussions regarding reemployment before the employee's separation from service. The IRS has singled out this factor as critical to support the occurrence of a true separation. Therefore, for employees who have not reached normal retirement age, discussions about reemployment are prohibited until after the employee has received his or her first monthly payment or lump sum cashout or 30 days after separation, whichever is later. (For employees who have reached normal retirement age, discussions about reemployment prior to actual separation are not prohibited.)
- The length of the break in service before reemployment is reasonable
- Both the employer and the employee intended that a separation from service occur and that it be permanent
- Upon separation from service, the employee surrendered something of value, such as seniority rights or access to benefits available only to active employees
- The employer processed the employee as if he or she were separating from service. For example, a COBRA election or information on retiree health insurance coverage was provided to the employee upon separation, or benefits not available to anyone other than active employees were terminated, or a separation date was entered into the payroll/personnel system
- The employee is reemployed into a position that requires different skills from those used in his or her prior position or is with a different department or supervisor
- The employee was employed by an unrelated employer prior to reemployment

C. University Policy Restrictions

Subject to the exceptions described in Section C.5. below, the following restrictions on the reemployment of Retired Employees are based on University policy.

1. <u>Exigent Circumstances</u>

   Reemployment must be as a result of exigent circumstances, such as the Retired Employee possesses skills that are critical to the mission of the University and the University was not able to find a suitable replacement. For situations in which a Retired Employee is reemployed into the same position held before retirement or another vacant position, the job must be posted and a search begun within 30 days of the vacancy being created and a minimum 30-day recruitment period must be held.

Situations in which a Retired Employee is not reemployed into the same position held before retirement or is not reemployed into another vacant position do not require a recruitment. Exigent circumstances in such situations include, but are not limited to, the need to train a replacement or to provide transition assistance.

Written documentation on exigent circumstances must be provided for all reemployment actions, including specification of the duration of the appointment in order to support the existence of exigent circumstances.

The President must endorse a request based on exigent circumstances before submission to The Regents for approval for Retired Employees reemployed into SMG positions, and for Retired Employees whose annualized base salary plus any other cash compensation in the rehire position meets or exceeds the current Indexed Compensation Level. (The total compensation at the appointment rate in the rehire position will be used and not the conversion to derive a “full-time equivalent” amount, e.g., at 100% percent.)

For staff positions, the local campus, medical center, or laboratory Chief Human Resources Officer (CHRO), as applicable, must review and sign off on a request based on exigent circumstances prior to submission to the location’s Executive Officer for approval.

2. Break in Service

A Retired Employee must not be reemployed until there has been a break in service of at least 30 days, but preferably 90 days. The break in service restriction is not required to preserve the tax-qualified status of UCRP if the Retired Employee has reached normal retirement age at the time of separation from service; however, this policy requires that the break in service restriction be applied to all Retired Employees.

3. Appointment Percentage

Due to potential Medicare complications, this policy requires that Retired Employees be rehired with no more than a 43% appointment. Appointments at 43.75% time or more provide eligibility to Retired Employees for UC-sponsored employee medical coverage, which makes Medicare become the secondary payer.

It is the intent of this policy that Retired Employees be reemployed with limited appointments that do not qualify them for active employee health and welfare benefits, regardless of whether the Retired Employee has elected monthly retirement income or a lump sum cashout.

Appointment at no more than 43% also ensures that Retired Employees who elected monthly retirement income are reemployed with limited appointments and do not become active members in UCRP.

If reemployment must exceed a 43% appointment, the request must be approved as follows:

- The President must endorse the request prior to submission to The Regents for approval for Retired Employees reemployed into SMG positions and Retired Employees whose annualized base salary plus any other cash compensation in the rehire position meets or exceeds the current Indexed Compensation Level.

(The total compensation at the appointment rate in the rehire position will be used and not the conversion to derive a "full-time equivalent" amount, e.g., at 100 percent.)

- The Chief Human Resources Officer must review and sign off on the request prior to submission to the Executive Officer for approval for Retired Employees reemployed into staff positions,

4. Duration of Reemployment

   Reemployment in one or multiple positions must not exceed a total of 12 months. If reemployment is to exceed a total of 12 months, the request must be approved as follows:

   - The President must endorse the request prior to submission to The Regents for approval for Retired Employees reemployed into SMG positions and Retired Employees whose annualized base salary plus any other cash compensation in the rehire position meets or exceeds the Indexed Compensation Level. (The total compensation at the appointment rate in the rehire position will be used and not the conversion to derive a "full-time equivalent" amount, e.g., at 100% percent.)
   - The Chief Human Resources Officer must review and sign off on the request prior to submission to the Executive Officer for approval for Retired Employees reemployed into staff positions,

5. Reemployment into Career Appointments

   In cases of reemployment into a Career Appointment, following regular UC recruitment procedures and after an appropriate break in service, a Retired Employee who is receiving UCRP monthly retirement income, but agrees to suspend such payments, shall not be subject to the policy restrictions in sections 1, 3 and 4 above but shall be subject to section 2. This does not apply to Retired Employees who took a lump sum cashout for whom all sections (1, 2, 3 and 4) apply.

D. Reporting Requirements and Disclosure

For Retired Employees reemployed into non-Career Appointments in staff positions, the locations must submit the following information to the Associate Vice President–Human Resources and Benefits at the time the Retired Employee is reemployed:

1. All local approval documents and supporting documentation of exigent circumstances for each individual including any reappointments or extensions to previous appointments; and
2. Completed *UCRP Retired Employee Election Form* [link] for each reemployed Retired Employee (not required for Retired Employees who received a lump sum cashout).

In addition, every six months the locations must submit a summary report to the Associate Vice President – Human Resources and Benefits no later than June 30 and December 31 that incorporates a list of all reemployed Retired Employees, noting appointments greater than 43% or for more than a total of 12 months (when the employee has not selected suspension of UCRP monthly retirement income), and/or appointments for which other types of variations from policy have been approved.

Disclosure:

Per University policy, persons inside or outside the University shall have access to information in employees' personnel records in conformance with state statutes and University policies on records. The Executive Officer shall establish procedures for the release of information. Examples of information which is public information and which should be released upon request include name, current salary, retirement compensation and appointment type.

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

The Associate Vice President–Human Resources and Benefits is the Responsible Officer for this policy and has the authority to implement the 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 Associate Vice President–Human Resources and Benefits 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* [link] and other governance policies [link].

C. Approval of Actions

The President must endorse, and The Regents must approve, all reemployment actions (actions authorized by this policy, that exceed this policy, or that are not expressly provided for under any policy) for:

- Retired Employees reemployed into SMG positions
- Retired Employees whose annualized base salary plus any other cash compensation in the rehire position meets or exceeds the Indexed Compensation Level. (The total compensation at the appointment rate in the rehire position will be used and not the conversion to derive a “full-time equivalent” amount, e.g., at 100 percent.) (Normal appointment approval shall be followed for a Retired Employee reemployed into a Career Appointment, following regular UC recruitment procedures and after an appropriate break in service, who elects suspension of UCRP monthly retirement income.)

For Retired Employees reemployed into staff positions, actions authorized by this policy must be approved in accordance with local procedures, which must include a provision for review and sign off by the local Chief Human Resources Officer prior to approval by the location’s Executive Officer. The Executive Officer may delegate authority to approve actions authorized by this policy, but remains accountable for all reemployment actions and for submission of timely and accurate reports in compliance with Section V.A. of this policy. Documentation of the delegation of authority must be submitted to the Associate Vice President—Human Resources and Benefits. The Office of the President will conduct periodic audits of delegations and reemployment actions.

D. Approval of Variations From Policy

Unless there is explicit and specific authorization for an action by this policy, the action is considered to be a variation from the policy and must be approved as follows:

The President must endorse, and The Regents must approve, the variation to the policy for:

- Retired Employees reemployed into SMG positions
- Retired Employees whose annualized base salary plus any other cash compensation in the rehire position meets or exceeds the current Indexed Compensation Level. (The total compensation at the appointment rate in the rehire position will be used and not the conversion to derive a “full-time equivalent” amount, e.g., at 100 percent.)

For Retired Employees reemployed into staff positions, requests for approval for variations from this policy must be reviewed and signed off on by the local Chief Human Resources Officer and documented and approved by the location’s Executive Officer.

V. COMPLIANCE

A. Compliance with the Policy

The Associate Vice President–Human Resources and Benefits is accountable for monitoring compliance with this 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 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 Associate Vice President–Human Resources and Benefits 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

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 at each Regents' meeting.

REVISION HISTORY

As a result of the issuance of this policy, the following documents are rescinded as of the effective date of this policy and are no longer applicable for Senior Management Group and staff rehired Retired Employees, and academic appointees rehired into SMG or staff positions:

- *Guidelines for Rehire of UC Retirees*
- *Reappointment Guidelines for Rehired Retirees*

IMPLEMENTATION PROCEDURES [link]

RELATED DOCUMENTS

- *UCRP Retired Employee Election Form* (referenced in Section III.D.1. 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)
- *Senior Management Group Compensation Policy Principles* (referenced in Section IV.B. of this policy)
- *Other Governance Policies* (referenced in Section IV.B. of this policy)
- *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)
- *Returning to UC Employment After Retirement Factsheet and Election Form*

- *Medicare Factsheet for Employees and Retirees*
- *Recall Appointments for Academic Appointees* -- Academic Personnel Policy 200-22 (APM - 200-22)
- *Pre-Retirement Recall Guidelines for Faculty Recalled for Post-Retirement Teaching* -- Academic Personnel Policy 200 (APM - 200), Appendix A
- *UCRP Reappointment Guidelines for Rehired Retirees* -- Academic Personnel Policy 200 (APM - 200), Appendix B

FREQUENTLY ASKED QUESTIONS

University of California – Draft Policy 2.120

SMG Hiring Bonus

8/27/08

Responsible Officer: Associate Vice President–Human Resources and Benefits

Responsible Office: Human Resources and Benefits Policy and Program Design

Effective Date: To be determined

Next Review Date: To be determined

Who Is Covered: External candidates for Senior Management Group positions. The Hiring Bonus policy and procedures do not apply to external candidates for SMG positions at the Lawrence Berkeley National Laboratory (LBNL). See *LBNL Hiring Bonus Program*.

CONTENTS

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 positions by including a non-base building cash payment as part of the hiring offer. The hiring bonus is intended to make the hiring offer market-competitive and to assist in the new appointee's transition.

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 President for the Office of the President, Chancellor, or Laboratory Director.

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

Mission Critical Positions: Positions that directly and significantly influence and impact the University's ability to fulfill its mission.

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 mission critical, as defined above, and that have proven to be extremely difficult-to-fill

despite extensive recruiting efforts (e.g., labor market shortages, aggressive growth in compensation levels for particular positions).

4. Candidates where there is a documented reason to believe 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.

Contract employees, with the exception of staff physicians and dentists, are not eligible for hiring bonuses.

A hiring bonus is intended to make a hiring offer market-competitive and to assist in the new appointee's transition. 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 SMG Policy 2.805 – Relocation Allowance [link].

Before offering a hiring bonus, the hiring manager should 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. Hiring bonus amounts will vary based on specific circumstances including the following:
   a. determination by the hiring authority that the appointee to the open position is critical to the University's mission;
   b. difficulty in filling the position after prolonged and extensive recruitment efforts to attract market-competitive candidates;
   c. competing offers under consideration by the prospective candidate;
   d. market prevalence for these types of bonuses within specific occupations; and
   e. 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 up to 20% of the proposed starting base salary. If both a hiring bonus and relocation allowance are offered to a potential candidate, the combined amounts cannot exceed 30% of the proposed starting base salary. Direct moving and relocation expenses are to be reimbursed in accordance with the *Moving Reimbursement Policy*.

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 C.2 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. Installment payments are generally advisable. 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 D of this policy.

D. Repayment Provisions

1. The candidate's offer letter should contain the specific details of the repayment provisions, including the number of years of service that must be completed and the amount (percentage or actual amount) of repayment 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), 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 of 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.

G. Tax Treatment and Reporting

Under Internal Revenue Service Regulations (IRS), 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 Associate Vice President–Human Resources and Benefits is the Responsible Officer for this policy and has the authority to implement the 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 Associate Vice President–Human Resources and Benefits 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* [link] and other governance policies [link].

C. Approval of Actions

All actions within this policy, that exceed this policy, or that are not expressly provided for under any policy must be approved by The Regents.

V. COMPLIANCE

A. Compliance with the Policy

The Associate Vice President–Human Resources and Benefits is accountable for monitoring compliance with this 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 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 Associate Vice President–Human Resources and Benefits 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

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 at each Regents' meeting.

REVISION HISTORY

IMPLEMENTATION PROCEDURES

RELATED POLICIES

FREQUENTLY ASKED QUESTIONS

University of California – Draft Policy 2.725

University-Provided Housing

8/27/08

Responsible Officer: Executive Vice President—Business Operations

Responsible Office: Business Operations

Effective Date: To be determined

Next Review Date: To be determined

Who Is Covered: The President and Chancellors

CONTENTS

I. POLICY SUMMARY

The objective of this policy is to describe the requirements for the President and the Chancellor of each campus to live in University-provided housing as a condition of employment. It outlines the criteria, procedures and approval authority for requesting alternative housing arrangements when University-provided housing is unsuitable or uninhabitable, and describes the requirements for moving arrangements, both in and out of the residence.

II. POLICY DEFINITIONS

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 President for the Office of the President, or the Chancellor.

Members of the Household: The Internal Revenue Service (IRS) Regulations Section 1.217-2(b)(10) defines "members of the household" as other individuals who are members of the taxpayer's household, and who had the taxpayer's former residence and have the new residence as their principal place of abode. A member of the taxpayer's household includes any individual residing at the taxpayer's residence who is neither a tenant nor an employee of the taxpayer.

Primary residence: The dwelling where the Executive Officer actually lives and is considered as his/her legal residence for income tax purposes.

Temporary housing allowance: Funds approved by The Regents for an Executive Officer to use in covering temporary housing-related expenses (e.g., furnished temporary lodging, residential parking fees) when University-provided housing is unsuitable or uninhabitable. The terms and conditions for using the allowance will be determined and approved by The Regents.

III. POLICY TEXT

In recognition of the unique roles of the President and Chancellors (Executive Officers) in representing the University, The Regents of the University of California require Executive Officers, as a condition of their employment, to live in residences suitable for carrying out their roles and required official duties. As part of their official duties, Executive Officers are responsible for extending official hospitality to important visitors and guests in conjunction with official functions (i.e., campus activities, alumni and development events, etc.).

The University, therefore, provides Executive Officers and members of their households with suitable housing to perform the administrative, ceremonial and social duties required of their respective positions.

A. *Taxability of Housing Benefit and Reporting Requirements*

In accordance with IRS regulations issued under Internal Revenue Code section 119, the value of University-provided housing is not taxable to the Executive Officer because Executive Officers are required to occupy University-provided housing for the convenience of the University. Although housing is not taxable, some housing-related expenses, including those associated with support staff and equipment may be taxable.

Detailed IRS rules determine whether the University must report certain expenses as taxable income. For additional information regarding tax treatment and reporting requirements, as well as information on housing-related expenses that are taxable, refer to *Business and Finance Bulletin G-45 (Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*). Executive Officers should consult a personal tax advisor with questions about these requirements.

B. *Renovation and Remodeling of Executive Officers' Residences*

All capital improvements to the President's residence in excess of $25,000 require the prior approval of The Regents. Capital improvements under $25,000 require the prior approval of the Senior Vice President-Chief Compliance and Audit Officer.

Capital projects costing over $5,000,000 involving Chancellorial residences require the prior approval of The Regents. All capital improvements involving Chancellorial residences that cost $25,000 to $5,000,000 inclusively require the prior approval of the President. In approving projects, the University President will consider the need and extent of the improvements and their benefit to the University. A list of such capital projects will be reported to The Regents annually. Capital improvements under $25,000 require the prior approval of the Executive Vice President Business Operations.

C. *Alternative Housing Arrangements*

If the President determines that the University-provided housing is unsuitable or uninhabitable for supporting the Executive Officer's required range of duties, the President may make a recommendation to The Regents that the Executive Officer be granted other housing until the situation is remedied. The President may make a request to The Regents for an alternative housing arrangement on his/her own behalf if he/she deems the University-provided housing is unsuitable or uninhabitable for the performance of presidential duties.

In evaluating such a request, The Regents will decide whether to approve the terms and conditions for another housing arrangement, including the approval of a temporary housing allowance and fund source as appropriate.

D. *Reimbursement of Expenses Associated with Moving In and Moving Out of University Housing*

Upon commencement or termination of an Executive Officer's appointment or, if necessary, due to the nature of renovations to the Executive Officer's University-provided housing, the University will reimburse actual and reasonable expenses, as allowable under the *Moving Reimbursement Policy*, related to removing the household goods and personal effects of the Executive Officer and members of his/her household to or from University-provided housing.

The reimbursement of actual and reasonable expenses associated with an Executive Officer's arrival into or removal from University-provided housing requires the approval of The Regents. In recommending reimbursement, the President will provide The Regents an estimate of moving expenses.

Procedures for reimbursement of expenses under this subsection are in accordance with the Implementation Procedures set forth in the *Moving Reimbursement Policy*.

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

Executive Vice President—Business Operations is the Responsible Officer for this policy and has the authority to implement the 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.

Executive Vice President—Business Operations 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* [link] and other governance policies [link].

C. Approval of Actions

Approval of proposed actions covered by this policy is provided by the President and The Regents in accordance with Sections III – B, C, and D above.

V. COMPLIANCE

A. Compliance with the Policy

Executive Vice President—Business Operations is accountable for monitoring compliance with this 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 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 Executive Vice President—Business Operations 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 Executive Vice President—Business Operations 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

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 at each Regents' meeting.

REVISION HISTORY

As a result of the issuance of this policy, the following documents are rescinded as of the effective date of this policy and are no longer applicable:

- Regents Policy on University-Provided Housing, approved in December 10, 1992 and amended September 22, 2005
- Renovation and Remodeling of Chancellors' Residences and Offices, letter to the chancellors from President Dynes, dated March 22, 2006
- Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors, letter and attachment to the chancellors from former Senior Vice President Mullinix, dated December 15, 2005

IMPLEMENTATION PROCEDURES [link]

RELATED POLICIES

- Moving Reimbursement Policy (referenced in paragraph D. of the **Policy Text** section)
- Business and Finance Bulletin G-45 Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors (referenced in paragraph D. of the **Policy Text** section)
- Bylaws of The Regents [include the specific Bylaws that are applicable]
- Standing Orders of The Regents [include the specific Standing Orders that are applicable]
- Senior Management Group Compensation Policy Principles (referenced in paragraph D. of the **Approval Authority** section)
- The Regents' Guidelines for Corrective Actions Related to Compensation Policies (referenced in paragraph B. of the **Compliance** section)
- Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews (referenced in paragraph B. of the **Compliance** section)
- Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews (referenced in paragraph B. of the **Compliance** section)

FREQUENTLY ASKED QUESTIONS

Q: *Is the executive officer's spouse/domestic partner considered a member of the household for tax purposes? (Described in the **Definitions** section.)*

A: Members of the household for University-provided housing are defined by the Internal Revenue Service (IRS) Regulations Section 1.217-2(b)(10) as other individuals who are members of the taxpayer's household, and who had the taxpayer's former residence and have the new residence as their principal place of abode. A member of the taxpayer's household includes any individual residing at the taxpayer's residents who is neither a tenant nor an employee of the taxpayer.

Q: *Is the value of University-provided housing taxable to the Executive Officer? (Described in paragraph A. of the **Policy Text** section.)*

A: Because Executive Officers are required to occupy University-provided housing for the convenience of the University, the value of such housing is not taxable to the Executive Officer.

University of California – Draft Policy 2.730

SMG Automobile Allowance

8/27/08

Responsible Officer: Vice President–Finance

Responsible Office: Financial Management

Effective Date: To be determined

Next Review Date: To be determined

Who Is Covered: The following designated Senior Management Group members:

- President
- Executive Vice Presidents
- Principal Officers of the Regents
- Chancellors
- Laboratory Director
- Council of Vice Chancellors–Academic Affairs
- Vice Chancellors for Development (or equivalent Vice Chancellor position)
- Medical Center Directors
- Individuals in an Acting Role of one of the covered positions

CONTENTS

I. POLICY SUMMARY

This policy provides direction and authority for granting automobile benefits to designated Senior Management Group (SMG) members.

II. POLICY DEFINITIONS

Acting Role: An individual assuming 100% of the role and responsibilities of one of the covered positions under this policy.

Exception to Policy: An action that exceeds what is allowable under current policy or that is not expressly provided for under any policy. Any such action must be treated as an exception and must be reviewed and approved by the Regents

Executive Officer: The President for the Office of the President, Chancellor, or Laboratory Director.

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. Approval of Automobile Allowance by The Regents

Any SMG position that is recommended for designation for an automobile allowance must be submitted by the President to The Regents for approval.

B. Automobile Allowance

Designated SMG members[1] receive a monthly cash allowance from the University, the amount of which will be announced annually by the Vice President–Finance in accordance with changes in the Consumer Price Index. For the current maximum cash allowance, see *Maximum Amounts for University-Leased Vehicles and Monthly Cash Allowances*. [link] The cash allowance is paid to the SMG member as additional taxable wages in accordance with the procedures contained in the *Accounting Manual E-821: Senior Manager Automobile Policy and Procedures Section III*. [link]

C. Reimbursement for Use of Privately-Owned Vehicle

Designated SMG members who receive an automobile allowance will not receive additional reimbursement for the first 12,000 business miles traveled in a calendar year. Only business miles in excess of 12,000 miles a year will be reimbursed. The

[1] Includes all incumbent employees who currently receive an automobile allowance but who are not eligible for an allowance under this policy.

SMG member must provide mileage log documentation that the maximum yearly mileage has been exceeded.

Bridge and road tolls, parking fees, and other expenses set forth in *Business and Finance Bulletin G-28, Policy and Regulations Governing Travel*, [link] may be reimbursed.

Procedures for reimbursement of University business travel and mileage reimbursement rates, as well as procedures required for insurance coverage and the reimbursement of collision damage costs related to the use of a privately-owned vehicle for official University business, are set forth in *Business and Finance Bulletin G-28, Policy and Regulations Governing Travel, Section VII.C.* [link] and *Appendix A*. [link]

D. Treatment for Benefit Purposes

Amounts that are treated as wages 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.

E. Funding

Each location is responsible for funding its SMG automobile program. Laboratory SMG automobile allowances are provided by the Laboratory Administration Office. General Funds may not be used to support the SMG automobile program.

F. Tax Treatment and Reporting

Under Internal Revenue Service (IRS) Regulations, payment of an automobile allowance must be included in the employee's income as wages subject to withholding 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–Finance is the Responsible Officer for this policy and has the authority to implement the 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–Finance 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* [link] and other governance policies. [link]

C. Approval of Actions

All actions within this policy, that exceed this policy, or that are not expressly provided for under any policy must be approved by The Regents.

V. COMPLIANCE

A. Compliance with the Policy

The Vice President–Finance is accountable for monitoring compliance with this 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 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–Finance 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

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 at each Regents' meeting.

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:

- Revised University Policy Concerning Senior Management Automobiles, issued by President Dynes on January 29, 2007

IMPLEMENTATION PROCEDURES [link]

RELATED POLICIES

- *Maximum Amounts for University-Leased Vehicles and Monthly Cash Allowances* (referenced in Section III.B. of this policy)
- *Accounting Manual E-821: Senior Manager Automobile Policy and Procedures Section III.* (referenced in Section III.B. of this policy)
- *Business and Finance Bulletin G-28: Policy and Regulations Governing Travel* [reimbursement for bridge and road tolls, parking fees, and other expenses] (referenced in Section III.C. of this policy)
- *Business and Finance Bulletin G-28: Policy and Regulations Governing Travel, Section VII.C.* and *Appendix A* [reimbursement for privately-owned vehicle expenses] (referenced in Section III.C. 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)
- *Senior Management Group Compensation Policy Principles* (referenced in Section IV.B. of this policy)
- *Other Governance Policies* [include the specific Governance Policies that are applicable] (referenced in Section IV.B. of this policy)
- *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

Q: Under what circumstances can an SMG member covered under this policy be reimbursed for the use of a privately-owned vehicle for University business purposes?

A: Once an SMG member has exceeded 12,000 University business miles in a year, he/she may be reimbursed for the use of his/her own vehicle. No reimbursement will be granted if University business mileage is less than 12,000 miles per year. See Section III.C. of the policy.

University of California – Draft Policy 2.800

SMG Moving Reimbursement

8/27/08

Responsible Officer: Vice President – Financial Management

Responsible Office: Office of the Vice President – Financial Management

Effective Date: To be determined

Next Review Date: To be determined

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 polices and procedures.]

The SMG Moving Reimbursement policy and procedures do not apply to Senior Management Group employees at the Lawrence Berkeley National Laboratory (LBNL). See LBNL *Regulations and Procedures Manual §4.01- Relocation Policy*.

CONTENTS

I. POLICY SUMMARY

This policy describes requirements and process for the reimbursement of moving and relocation expenses for Senior Management Group employees. It clarifies who is eligible to receive reimbursement of moving and relocation expenses, defines what types of expenses are reimbursable, and outlines the process for obtaining reimbursement. The policy supports the University's objective to attract and retain talented individuals by offering competitive and fair benefits to help offset the costs associated with moving a Senior Management Group appointee to a new location.

II. POLICY DEFINITIONS

Common Carrier: An organization that offers its services to the public to transport goods from one place to another.

Domestic Partner: A domestic partner means the individual designated as an employee's domestic partner under one of the following methods:

1) Registration of the partnership with the State of California;
2) Establishment of a same-sex legal union, other than marriage, formed in another jurisdiction that is substantially equivalent to a State of California-registered domestic partnership; or
3) Filing of a Declaration of Domestic Partnership form with the University.

If an individual has not been designated as an employee's domestic partner by any of the foregoing methods, the following criteria are applicable in defining domestic partner:

- each individual is the other's sole domestic partner in a long-term, committed relationship with the intention to remain so indefinitely;
- neither individual is legally married, a partner in another domestic partnership, or related by blood to a degree of closeness that would prohibit legal marriage in the State of California;
- each individual is 18 years of age or older and capable of consenting to the relationship;
- the individuals share a common residence; and
- the individuals are financially interdependent.

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 President for the Office of the President, Chancellor, or Laboratory Director.

Members of the household: Any person residing at the appointee's former primary residence, other than a tenant or appointee of the tenant, who moves to the new primary residence, including an appointee's domestic partner.

Moving expenses: Reasonable expenditures for transporting the appointee, members of his or her household, household goods and personal effects from his or her former primary residence to his or her new primary residence.

Primary residence: The dwelling where the employee actually lives and is considered as the legal residence for income tax purposes.

Relocation: A change in the location of a current employee or new appointee's primary residence due to a new appointment with the University. To be considered a qualified moving expense and not reportable as additional taxable income, the distance between an appointee's new primary place of work and his or her former primary residence must be at least 50 miles or more than the distance between the appointee's previous primary place of work and his or her former primary residence,

Relocation expenses: Reasonable expenditures other than moving expenses incurred in the process of relocating the appointee and members of his or her household to the location of the appointee's new appointment (e.g. house hunting trips, return trips to the employee's former residence, etc.)

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 for Reimbursement of Moving and Relocation Expenses

Reimbursement of moving and/or relocation expenses is at the sole discretion of the University. Reimbursement of moving and/or relocation expenses should be offered when necessary to attract a potential appointee to the University or to encourage a current employee to accept an appointment at a new location. Before offering reimbursement of moving expenses, the employing department must confirm the availability of funds and the specific determinative criteria cited in this policy. The appropriate approval authority should be consulted before the hiring unit offers such benefits.

Moving and relocation expenses that are not specifically addressed in this policy may be reimbursed or paid by the University only if approved by the Regents.

To be eligible for reimbursement of moving and/or relocation expenses, an appointee must meet all of the following criteria:

- The appointee must be a new hire or a current employee being assigned to a new location; in either case, the appointment must be for the benefit of the University;
- The appointee must be qualified for and have accepted and intend to fulfill his or her new appointment for at least one year from the date the appointment commences;
- The appointee must be in active status in the payroll system prior to reimbursement of moving or relocation expenses, unless the appointee has been approved for an advance to cover anticipated expenditures pursuant to Section II.H – Advances; and

- The appointee must be relocating his/her primary residence in order to accept the new appointment.

B. Reimbursable Moving Expenses

All or part of the following moving expenses may be reimbursed, subject to the required approvals and availability of funds:

1. <u>Moving of Household Goods and Personal Effects</u>

Household goods and personal effects are limited to one household move per appointee. However, if the University appoints both an individual and his or her spouse or domestic partner, both appointees may be eligible for reimbursement of moving expenses from a former primary residence to the new primary residence. All moves of the employee and members of his or her household should be completed within one year of the date an appointee first reports to the new job, even if his or her appointment date was effective prior to the report date.

The University will reimburse actual and reasonable expenses for common carrier transportation related to moving household goods and personal effects from the former primary residence to the new primary residence for the appointee and members of his or her household, including packing, crating, transporting, unpacking, and uncrating household goods and personal effects. The appointee must use a common carrier from the University's preferred vendors list. Assembly and disassembly of unusual items such as swing sets, swimming pools, satellite dishes, etc. may also be reimbursed if authorized by the hiring authority.

Expenses related to moving professional/scholarly books, records and equipment, including laboratory supplies, should be documented separately. Prior to incurring these expenses, the appointee should discuss with the appropriate hiring authority whether these expenses are reimbursable and what documentation is required for reimbursement.

If the appointee elects to move his or her household goods and personal effects on his or her own, costs of renting a moving van, truck, or trailer and moving equipment (e.g., hand truck) are reimbursable, as are moving supplies (e.g., packing materials and boxes).

Costs associated with moving the following are not reimbursable:

- Animals (except for household pets consisting of domesticated animals normally and ordinarily kept or permitted in the appointee's personal residence),
- Plants,
- Motorized recreational vehicles, including boats, kayaks, canoes, airplanes, camping vehicles, trailers, snow machines, jet skis,
- Canned, frozen, and bulk foodstuffs,
- Building supplies,
- Storage sheds,

- Farm equipment, and
- Firewood.

2. Transportation of Motor Vehicles

   The University will reimburse actual and reasonable expenses related to moving two personal motor vehicles per household (which may include motorcycles but excludes vehicles listed in the preceding section). The vehicles may be shipped or driven. If the vehicle is driven by the appointee or a member of the appointee's household, the appointee will be reimbursed in accordance with Business and Finance Bulletin G-28, Policy and Regulations Governing Travel (insert link here).

3. Storage and Insurance

   The University will reimburse actual and reasonable expenses related to insurance for the household goods and personal effects while in transit, if incurred within any 30-day period after removal of the household goods and effects from the former primary residence. The University will also reimburse actual and reasonable storage costs for household goods and personal effects for up to 60 days immediately after their removal from the primary residence.

4. En Route Travel Expenses for the Appointee and Members of Household

   The University will reimburse actual and reasonable expenses related to traveling to the new primary residence by the appointee and members of his or her household. Meals and lodging while en route to the new primary residence are reimbursable, including one day's lodging in the area of the former primary residence if the residence is not suitable for occupancy due to the move and one day's lodging on the date of arrival from the former primary residence to the new primary residence. Reimbursement of these costs is made in accordance with Business and Finance Bulletin G-28, Policy and Regulations Governing Travel (insert link here).

5. Household Pets

   The University will reimburse reasonable expenses related to transportation of household pets (consisting of domesticated animals normally and ordinarily kept or permitted in the appointee's personal residence) but not those associated with kenneling such pets.

6. Utilities

   The University will reimburse expenses for connecting and disconnecting utilities but not for associated refundable deposits.

7. Appointee's Passport Processing Expenses

   The University will reimburse the filing fee and cost of photos for a non-U.S. Citizen appointee when passport expenses are incurred in connection with the commencement of his or her work in the United States.

C. *Reimbursable Relocation Expenses*

The University may reimburse limited relocation expenses actually and reasonably incurred by the appointee and his or her spouse or domestic partner. The following relocation expenses may be reimbursable:

1. House-Hunting Trips

   The University may reimburse actual and reasonable expenses associated with looking for new living accommodations for the appointee and his or her spouse or domestic partner, in accordance with the reimbursement limits outlined with Section III.C, for:

   - Cost of transportation (e.g., coach airfare, car rental, parking fees, tolls, gas),
   - Meals, and
   - Lodging.

   The appointee and his or her spouse or domestic partner are limited to two house hunting trips each. Travel must be in accordance with Business and Finance Bulletin G-28, Policy and Regulations Governing Travel. The maximum number of nights of reimbursable lodging is (10) ten.

2. Limited Housing-Related Expenses

   The University may reimburse the following limited housing-related expenses, if actually and reasonably incurred while the appointee and/or members of his or her household seek permanent housing, in accordance with the reimbursement limits outlined with Section III.C:

   - Penalty paid to terminate the contract (e.g. lease or mortgage) on the appointee's former primary residence if the termination was a result of relocation,
   - Cost of furnished temporary lodging (e.g., hotel, apartment, short-term rentals), up to 90 days,
   - Reasonable residential parking fees, up to 90 days, and
   - Meals for the first 30 days of residence in temporary quarters that do not have cooking facilities.

   Temporary lodging and meal expenses will be reimbursed in accordance with Business and Finance Bulletin G-28, Policy and Regulations Governing Travel.

   At the discretion of the University, the University may provide a temporary cash allowance to the relocating employee to offset limited housing-related expenses in lieu of reimbursement. This allowance would be paid through the University payroll system and would be subject to withholding for income and FICA taxes.

3. Return Trips to Former Residence

   The University may reimburse actual and reasonable costs of transportation, in accordance with the reimbursement limits outlined with Section III.C, if an appointee needs to return to his or her former primary residence to help with a move or because the appointee has been separated from household members for more than one month. The appointee is limited to two return trips. Reimbursable expenses related to transportation costs may include coach airfare or other actual costs of transportation (e.g. car rental, parking fees, tolls, gas). Return trips made in an appointee's personal vehicle will be reimbursed in accordance with Business and Finance Bulletin G-28, Policy and Regulations Governing Travel.

4. Professional Relocation Services

   The University may reimburse actual and reasonable expenses related to professional relocation services, in accordance with the reimbursement limits outlined with Section III.C, which may include providing local destination information, home sale assistance, home search at destination, and location of rental or temporary housing.

D. Supporting Documentation

In order to be eligible for reimbursement, all expenses must be supported by original receipts.

E. Tax Treatment and Reporting of Moving and Relocation Expenses

Internal Revenue Service (IRS) rules determine whether payment of moving and relocation expenses by an employer is includable as taxable income that must be reported. Some reimbursements and advances of "qualified moving expenses" are not reportable as additional income. To be considered a qualified moving expense and not reportable as additional taxable income, an expense must meet the following criteria:

- The move must be made in connection with the commencement of work at a new job location and the moving expenses must be incurred within one year from the time the appointee first reports to the new job,
- During the 12-month period immediately following the move, the individual must be employed full time for at least 39 weeks,
- The distance between an appointee's new primary place of work and his or her former primary residence must be at least 50 miles or more than the distance between the appointee's previous primary place of work and his or her former primary residence,
- The expenses must be for transportation of household goods and personal effects, including packing, insurance and in-transit storage for periods of up to 30 days from the former primary residence to the new primary residence, and
- The expenses must be for travel and lodging costs (but excluding meals) incurred in traveling from the former primary residence to the new primary residence.

Detailed rules affect whether specific amounts are taxable or eligible for a deduction; appointees should consult their tax advisors. Taxable reimbursements made by the University are subject to withholding for payroll taxes, which will be deducted from the employee's regular wages. For additional information, please refer to the Accounting Manual, Chapter D-371-12.1.

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

F. Repayment Provisions

An appointee who voluntarily separates from the position prior to completing one year of service, or accepts an appointment at another University location within 12 months from his or her initial date of appointment, will be required to pay back 100 percent of the moving and relocation expenses.

This provision will be included in the offer letter of the appointee.

G. Advances

The University, in its sole discretion, may elect to advance an amount to cover anticipated expenditures. Advances may only be used to cover reimbursable expenses and must be approved by the Chancellor. An appointee receiving such an advance must sign an agreement for repayment as described below under Implementation Procedures. The hiring unit is responsible for ensuring that advances are accounted for within a reasonable period of time after the move is completed. See Business and Finance Bulletin G-28, Policy and Regulations Governing Travel for procedures applicable to recording uncleared advances.

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

The Vice President – Financial Management is the Responsible Officer for this policy and has the authority to implement the 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 – Financial Management 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* [link] and other governance policies [link].

C. Approval of Actions

All actions within this policy, that exceed this policy, or that are not expressly provided for under any policy must be approved by The Regents.

V. COMPLIANCE

A. Compliance with the Policy

The Vice President – Financial Management is accountable for monitoring compliance with this 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 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 – Financial Management 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

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 at each Regents' meeting.

REVISION HISTORY

IMPLEMENTATION PROCEDURES

Required Documentation and Disclosure

When an offer is made to pay moving and relocation expenses, a letter of authorization should be given to the appointee being relocated. The letter should specify the reimbursable expenses and the maximum actual expenses that will be paid by the University, including any amount exceeding the amount authorized by this policy. The offer should also specify any advances authorized and confirm repayment provisions and any expenses subject to tax reporting and withholding.

An appointee seeking reimbursement must submit a completed [form name] to the [approving authority or department head] no later than one year after beginning employment. Original receipts and price quotations, when applicable, must be submitted in support of an appointee's claims.

Once the approving authority or department head has verified that claims submitted are supported by appropriate documentation and comply with the requirements of this policy, the approving authority or department head will forward the claims to the accounting department.

RELATED POLICIES

- Accounting Manual, Chapter D-371-12.1, Disbursements: Accounting for and Tax Reporting of Payments Made Through the Vendor System

  http://www.ucop.edu/ucophome/policies/acctman/d-371-12-1.pdf

- Business and Finance Bulletin G-28, Policy and Regulations Governing Travel

  http://www.ucop.edu/ucophome/policies/bfb/g28.html

FREQUENTLY ASKED QUESTIONS

University of California – Draft Policy 2.805

SMG Relocation Allowance

08/27/08

Responsible Officer: Associate Vice President–Human Resources and Benefits

Responsible Office: Human Resources and Benefits Policy and Program Design

Effective Date: To be determined

Next Review Date: To be determined

Who Is Covered: Members of the Senior Management Group and external candidates for Senior Management Group positions. [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 polices and procedures.]

The SMG Relocation Allowance policy and procedures do not apply to Senior Management Group employees at the Lawrence Berkeley National Laboratory (LBNL) or candidates for SMG positions at LBNL. See *LBNL Regulations and Procedures Manual §4.01 – Relocation Policy.*

CONTENTS

I. POLICY SUMMARY

This policy provides the direction and authority for granting a relocation allowance to offset a portion of an external or internal Senior Management Group candidate's costs associated with accepting the University's employment offer or with relocating at the request of the University. A relocation allowance supports the University's objective to attract and retain talented candidates who might otherwise decline the University's employment or relocation offer

II. POLICY DEFINITIONS

Executive Officer: The President for the Office of the President, Chancellor, or Laboratory Director.

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.

Primary Residence: The dwelling where the employee actually lives and is considered as the legal residence for income tax purposes.

Relocation: A change in the location of an appointee's primary residence due to a new appointment with the University.

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 relocation allowance, a candidate for a Senior Management Group position must meet the following eligibility conditions:

1. The candidate must be a new hire or a current employee being assigned to a new location; in either case, the appointment, transfer or promotion must be for the benefit of the University; and,
2. The candidate must be qualified for and have accepted and intend to fulfill his/her new appointment for at least one year from the date the appointment commences; and
3. The candidate will experience costs associated with accepting the University's employment offer or with relocating at the request of the University.

A relocation allowance is intended to offset a portion of the candidate's costs associated with accepting the University's employment offer and relocating. A hiring bonus, when offered, is intended to make a hiring offer market-competitive and to assist in the new appointee's transition, in accordance with SMG Policy 2.120 – Hiring Bonus [link].

Consult the appropriate hiring authority before offering a relocation allowance. See Section IV Approval Authority.

B. Relocation Allowance Amounts

1. A relocation allowance is granted at the sole discretion of the University, is dependent on the availability of funds, is not guaranteed to be made available to all eligible candidates, and is not guaranteed to offer total reimbursement for all increased costs that may be incurred by the candidate's acceptance of the appointment and the candidate's relocation.
2. Allowance amounts will vary based on specific circumstances including the following:
   a. amount of costs associated with the appointee's relocation that are not covered by the SMG Moving Reimbursement Policy;
   b. determination by the hiring authority that the appointee to the open position is critical to the University's mission;
   c. difficulty in filling the position after prolonged and extensive recruitment efforts to attract market-competitive candidates;
   d. competing offers under consideration by the prospective candidates; and
   e. market prevalence for these allowances within specific occupations.
3. The relocation allowance amount cannot exceed a maximum of 25% of the proposed starting base salary. If both a hiring bonus and relocation allowance are offered to a potential candidate, the combined amount cannot exceed 30% of the proposed starting base salary. Direct moving and relocation expenses are to be reimbursed in accordance with the *Moving Reimbursement Policy.*

C. Payment Provisions

Granting of a relocation allowance is at the sole discretion of the University. Before offering a relocation allowance, the employing department must confirm the availability of funds and the specific determinative criteria cited in Section B.2 of this policy. Any relocation allowance 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 relocation allowance 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. Installment payments are generally advisable. 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 D of this policy.

D. Repayment Provisions

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

E. Funding Sources

Relocation allowance payments, if approved, are funded by the hiring department.

F. Treatment for Benefit Purposes

Relocation allowance 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.

G. Tax Treatment and Reporting

Under Internal Revenue Service (IRS) Regulations, payment of a relocation allowance 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.*

H. Relation with other policies

Senior Management Group appointees who hold an academic appointment and receive a relocation allowance under the terms of this policy are not eligible for the Faculty Recruitment Allowance Program as set forth in APM 190 – Appendix E.

IV. APPROVAL AUTHORITY

A. Implementation of the Policy

The Associate Vice President–Human Resources and Benefits is the Responsible Officer for this policy and has the authority to implement the 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 Associate Vice President–Human Resources and Benefits 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* [link] and other governance policies [link].

C. Approval of Actions

All actions within this policy, that exceed this policy, or that are not expressly provided for under any policy must be approved by The Regents.

V. COMPLIANCE AND REPORTING

A. Compliance with the Policy

The Associate Vice President–Human Resources and Benefits is accountable for monitoring compliance with this 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 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 Associate Vice President–Human Resources and Benefits 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

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 at each Regents' meeting.

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:

- Business and Finance Bulletin G-13 - Policy & Regulations Governing Moving & Relocation

IMPLEMENTATION PROCEDURES [link]

RELATED POLICIES

- Moving Reimbursement Policy.
- Hiring Bonus Policy.
- UC Business and Finance Bulletin G-28 (Policies and Regulations Governing Travel)
- UC Business and Finance Bulletin G-45 (Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors)

FREQUENTLY ASKED QUESTIONS

Q: How are moving-related expenses not covered by this policy reimbursed?

A: See the "Moving Reimbursement Policy" [insert link]