



Office  
of the  
President

# UCOP Non-Represented Staff Salary Range Adjustment

Board of Regents Working Group Compensation Meeting

January 17, 2019





# Introduction

- At its September 26, 2018 meeting, the University of California (UC) Board of Regents' (Regents') Governance and Compensation Committee (Committee) endorsed the proposed approach to salary range adjustments for non-represented staff for the University of California Office of the President (UCOP) Career Tracks jobs.
  - The proposed methodology was developed based on the California State Auditor's (CSA's) recommendations to narrow and market align the current salary ranges.<sup>1</sup>
  - This methodology/plan was noted as **fully implemented** by the CSA Auditor in November 2018.
  - It should be noted, that any final salary range adjustments are approved by the UCOP Chief Operating Officer (COO) and the UC's President. This presentation seeks the final validation of the Committee to ensure consistency with the benchmarking for the UC Senior Management Group (SMG).<sup>2,3</sup>
- This report presents a final approach to the proposed salary range adjustments for non-represented staff for the UCOP Career Tracks jobs based on the CSA's recommendations of narrowing the salary ranges and aligning them with the market by cascading the survey methodology used for the SMG positions as part of the MRZ project (Report #2016-130) and to determine the potential cost and savings impact to be delivered by April 1, 2019.
- Accordingly, SullivanCotter has prepared the proposed 2019 Career Tracks staff non-represented employee salary ranges for UCOP and the Office of the General Counsel (OGC) for the Working Group's review and endorsement. This report includes:
  - An overview of the endorsed methodology.
  - An evaluation of the proposed 2019 Career Tracks staff non-represented employee salary ranges for UCOP and OGC, including:
    - A summary of narrowing salary ranges and the midpoint market adjustment based on most current market data.
    - An overview of salary administration practices of comparator institutions.
    - A cost impact analysis on UCOP and OGC employees falling outside of the new salary ranges, as well as an evaluation of the pay distribution due to compensation actions taken.

<sup>1</sup> California State Auditor Report Number: 2016-130; full PDF report page 67.

<sup>2</sup> On March 15, 2018, the Regents adopted a methodology, as recommended by the Regents' Working Group on Executive Compensation, for weighing public and private sector data to create the new MRZs for SMG members. The Regents also adopted a methodology to reflect its competitive labor market and include data from the State and CSU for operational staff and academic administrative jobs at UC. The same methodology for evaluating and weighing public and private sector data has been adopted for non-SMG staff compensation (Career Tracks), including establishing a minimum weighting of 12.5% for State data and matching UC jobs to CSU jobs. This methodology will govern data collection and analyses to amend the Career Tracks salary ranges for all non-represented staff, including those at UCOP. ("One Year Update on Recommendations to the Office of the President CSA UCOP Administrative Expenditures One Year Responses" [<https://www.ucop.edu/ucop-audit-implementation/index.html>]).

<sup>3</sup> Per PPSM-30, Compensation: Section III.B.1.b.: "In consultation with the Office of the President, the Executive Officer may adjust salary ranges at his/her location in accordance with existing market practices."



# Overview of Methodology

- The Committee endorsed the proposed approach to narrow the salary range width, for the non-represented staff for the UCOP and OGC Career Tracks jobs, based on typical salary structures of comparator universities and the adopted methodology to market adjust the current salary range midpoints.
  - In order to determine the market competitiveness of the salary range midpoints, UC conducted a market assessment based on the newly adopted methodology for 761 staff jobs at UCOP and OGC, consistent with the Regents' approved survey benchmarking methodology, including market data that generally comprise of higher education (public and private universities and CSU) data and/or general industry and State data.
    - UC provided preliminary market data for the September analysis that was used as a proxy for gauging market movement. The market assessment at the time suggested a 5.5% market alignment factor for the UCOP positions and a 5.2% factor for the OGC positions to July 1, 2018.
    - In the September Regents presentation, we noted that market data would be updated because new survey data were becoming available.
    - UC has now updated the underlying market data for the proposed 2019 salary ranges using the most currently available data and adjusted the market data to a common effective date of July 1, 2019, by an annual factor of 2.75%.
- **UCOP's and OGC's current salary ranges lag the market median by 8.0%.**
  - **Since UCOP's and OGC's salary ranges have not been adjusted for the past three years (since 2016),<sup>1</sup> SullivanCotter is recommending that the range midpoints be increased by these market alignment factors in order to remain competitive with its peers.**
    - We note that annual base salary increases for non-represented staff within the higher education sector were fairly consistent over the last three years (between 2.4% to 2.8%) and are projected to be 2.75% for 2019. The proposed market increase factors are consistent with the compounded market increases.

<sup>1</sup> Note that market-based salary range midpoint increases were deferred by UC due to the pending actions related to the CSA's recommended restructuring process.

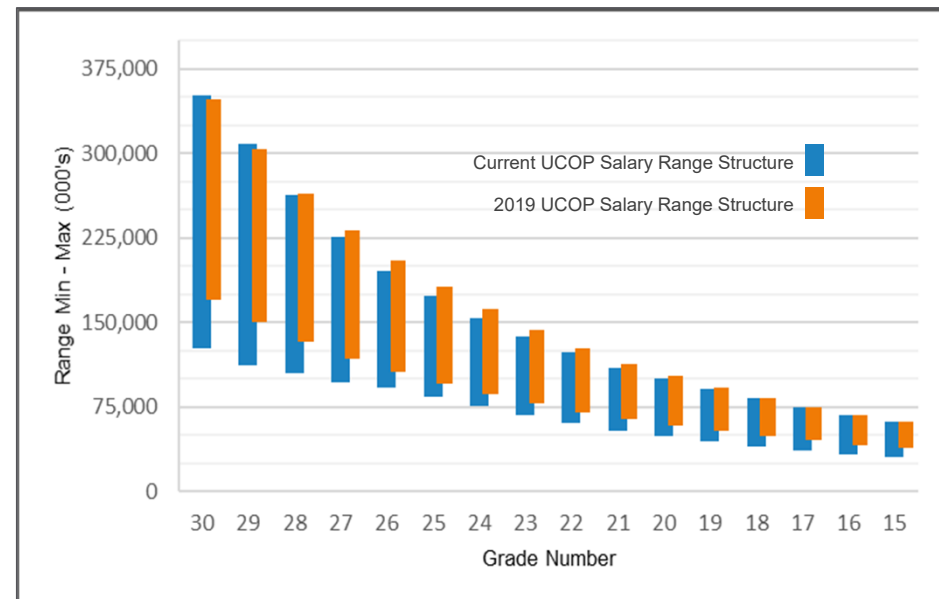
# Proposed 2019 Salary Ranges – UCOP

## Narrower Ranges and Midpoint Market Adjustment



- The following summarizes the proposed salary range adjustments based on the CSA's recommendation to narrow the salary ranges and the market findings:
  - The **number of UCOP's salary grades** (range structure has 16 grades) **remain the same**.
  - The **range width is narrowed from 103% to 60% at the low end (Grade 15) and from 177% to 105% at the high end (Grade 30)**.
  - The **range midpoints are increased by 8.0% based on the market alignment factors from the most current benchmark results**.

2019 SALARY RANGE STRUCTURE (UCOP)				RANGE WIDTH	MIDPT DIFF	MARKET ADJ
GRADE	MIN	MID	MAX			
30	169,443	258,400	347,357	105%	14%	8.0%
29	150,132	226,700	303,268	102%	14%	8.0%
28	132,977	198,800	264,623	99%	14%	8.0%
27	117,905	174,500	231,095	96%	12%	8.0%
26	106,212	155,600	204,988	93%	12%	8.0%
25	95,862	139,000	182,138	90%	12%	8.0%
24	86,551	124,200	161,849	87%	12%	8.0%
23	78,028	110,800	143,572	84%	12%	8.0%
22	70,391	98,900	127,409	81%	12%	8.0%
21	63,669	88,500	113,331	78%	10%	8.0%
20	58,473	80,400	102,327	75%	10%	8.0%
19	53,529	72,800	92,071	72%	10%	8.0%
18	49,219	66,200	83,181	69%	10%	8.0%
17	45,263	60,200	75,137	66%	10%	8.0%
16	41,445	54,500	67,555	63%	10%	8.0%
15	38,308	49,800	61,292	60%	---	8.0%



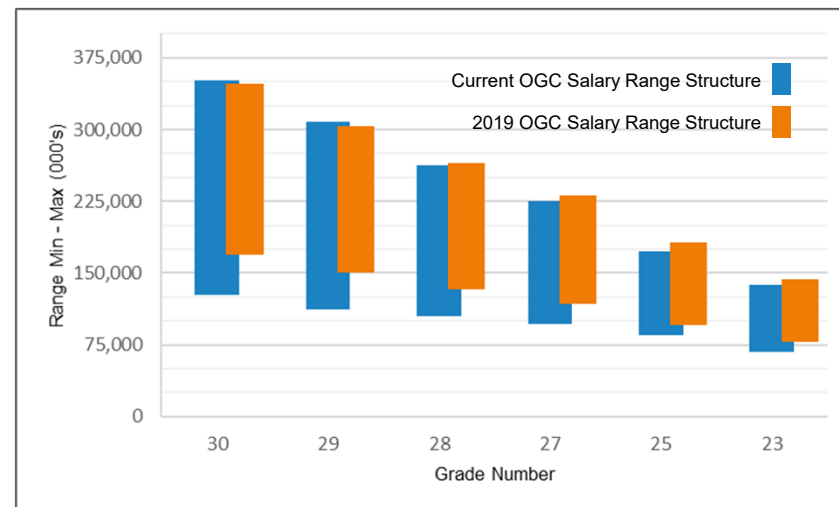
# Proposed 2019 Salary Ranges – OGC

## Narrower Ranges and Midpoint Market Adjustment



- The following summarizes the proposed salary range adjustments based on the CSA's recommendation to narrow the salary ranges and the market findings:
  - The **number of OGC's salary grades** (range structure has six grades) **remain the same**.
  - The **range width is narrowed from 104% to 84% at the low end (Grade 23) and from 177% to 105% at the high end (Grade 30)**.
  - The **range midpoints are increased by 8.0% based on the market alignment factors from the most current benchmark results**.

2019 SALARY RANGE STRUCTURE (OGC)				RANGE WIDTH	MIDPT DIFF	MARKET ADJ
GRADE	MIN	MID	MAX			
30	169,443	258,400	347,357	105%	14%	8.0%
29	150,132	226,700	303,268	102%	14%	8.0%
28	132,977	198,800	264,623	99%	14%	8.0%
27	117,905	174,500	231,095	96%	12%	8.0%
25	95,862	139,000	182,138	90%	12%	8.0%
23	78,028	110,800	143,572	84%	12%	8.0%



# Proposed 2019 Salary Ranges – UCOP and OGC

## Employee Distribution



- The tables below provide the employee distribution for each pay structure based on the proposed 2019 salary ranges.
- The red heatmap details the number of employees within each quartile of the proposed 2019 ranges, Q0 identifies the employees below the minimum, and Q5 shows the number of employees over the maximum.
- Overall, UCOP and OGC staff positions are well managed around the market midpoint.

GRADE	2019 SALARY RANGE STRUCTURE Employee Distribution (UCOP)							
	# EE's	% EE's	Q0	Q1	Q2	Q3	Q4	Q5
30	10	0.8%	0	0	6	2	2	0
29	12	0.9%	0	2	6	3	1	0
28	40	3.1%	0	0	15	21	4	0
27	70	5.4%	0	13	23	29	5	0
26	113	8.8%	0	13	54	38	8	0
25	156	12.1%	1	27	74	45	9	0
24	199	15.5%	0	32	87	64	16	0
23	186	14.5%	1	43	102	29	11	0
22	172	13.4%	4	27	86	46	9	0
21	145	11.3%	2	50	69	17	7	0
20	58	4.5%	1	15	29	9	4	0
19	94	7.3%	9	13	42	18	12	0
18	18	1.4%	0	4	9	5	0	0
17	10	0.8%	0	3	4	3	0	0
16	2	0.2%	0	0	1	1	0	0
15	0	0.0%	0	0	0	0	0	0
	1,285	100%	18	242	607	330	88	0
			1.4%	18.8%	47.2%	25.7%	6.8%	0.0%

**18 or 1.4%** of UCOP employees fall below the proposed 2019 range minimum. The cumulative difference for the 18 employees who are below the 2019 range minimum is **\$87,622 or 0.06% of total non-represented UCOP staff payroll.**

GRADE	2019 SALARY RANGE STRUCTURE Employee Distribution (OGC)							
	# EE's	% EE's	Q0	Q1	Q2	Q3	Q4	Q5
30	6	11.1%	0	0	3	2	1	0
29	0	0.0%	0	0	0	0	0	0
28	44	81.5%	0	0	11	29	3	1
27	2	3.7%	0	0	2	0	0	0
25	1	1.9%	0	0	1	0	0	0
23	1	1.9%	0	1	0	0	0	0
	54	100%	0	1	17	31	4	1
			0.0%	1.9%	31.5%	57.4%	7.4%	1.9%

None of the OGC employees fall below the proposed 2019 range minimum.

None of the UCOP employees fall above the proposed 2019 range maximum.

**One or 1.9%** of OGC employees falls above the proposed 2019 range maximum.

The cumulative difference for the one employee who is above the 2019 range maximum is **\$4,177 or 0.04% of total non-represented OGC staff payroll.**

Note: UC recently approved systemwide merit increases for non-represented staff effective July 1, 2018. This analysis includes the updated incumbent data. Excluded are incumbents with proposed equity adjustments and promotions prior to April 2019 and the Student Life and Development Specialist 1 positions since base salary includes cost for room and board.

# Salary Range Management

## Market Practices Findings



- To determine the alignment of UCOP's salary administration practices with market, SullivanCotter conducted a custom survey focusing on compensation practices for non-collectively bargained staff at UCOP's CPEC/AAU comparator universities.<sup>1</sup>
- The following presents the key findings based on the responses received from 19 public and 14 private institutions (see the **Appendix** for the listing of survey participants and the detailed survey results).

### KEY FINDINGS

- **UC policies and UCOP's salary administration practices are consistent with best practices of the comparator universities.**
1. If employees have pay that falls below the minimum salary range, the more common approach at comparator institutions is to provide a salary increase first (such as merit, equity, or promotion) and then increase pay to the minimum.

#### – UC Policy:

- UC's current policy states that "an employee's salary must be within the salary range that is assigned to the job title based on the associated position's duties and responsibilities; any exception must be approved in accordance with Section IV.C.1 of this policy" (Policy PPSM-30: Compensation; Section III.B.1.c.).
- Employees will receive merit increases first and then individual salary actions may be granted to bring an employee's salary to the minimum of the salary range in accordance with Section III.B.1.c. (Individual Pay), Section III.B.3.a. (Salary Increases), and Section III.B.5.(Order of Salary Actions).

#### – UCOP Practice:

- Following UC policy as stated above.

#### – Employees below the minimum of the proposed salary range:

- 18 or 1.4% of UCOP employees are falling below the proposed range minimum. The affected employees are in grades 19 to 25, with potential annual salary increases to the minimum ranging from \$536 to \$11,028.
- None of the OGC employees are falling below the proposed range minimum.

<sup>1</sup> The CPEC (California Postsecondary Education Commission) established a comparison group of 26 public and private Association of American Universities (AAU) institutions that would be used to compare to UC's executive compensation practices. AAU members include 60 distinguished public and private US research universities dedicated to improving life through education, research and discovery. 34 universities are public institutions.

# Salary Range Management

## Market Practices Findings



### KEY FINDINGS (continued)

2. If employees are impacted by compression (situations where there is only a small difference in pay between employees within the same job regardless of skills or experience), the most common approach at comparator institutions is to adjust for compression issues on a case-by-case basis.

– UC Policy:

- Equity increases may be addressed on an ad hoc basis, if there is “salary inequity between employees with comparable job responsibilities” or “salary compression between supervisors and their employees” (Policy PPSM-30: Compensation; Section III.B.3.c. (Equity Increases).

– UCOP Practice:

- UCOP periodically reviews pay equity issues during its “Equity and Promotion Related Salary Increase Review” process.

– Employees impacted by pay compression:

- Pay compression may occur because 18 UCOP employees (in ten jobs) are identified for pay adjustments to the minimum, while other employees at or slightly above the minimum in the same or related positions are not identified for market based adjustments. The compression analysis aims to identify employees in the same or similar positions and estimate the cost to potentially increase their pay to avoid pay equity concerns.
- Based on our review of employees that are getting a proposed adjustment to minimum, there are 49 UCOP employees in the same or similar jobs that are in the first (Q1) and second (Q2) quartiles who are at risk of pay compression.<sup>1</sup> To mitigate the risk and maintain meaningful pay distinctions among employees, SullivanCotter utilized a position-in-range (PIR) methodology that keeps the employees current PIR in the proposed 2019 salary range.

<sup>1</sup> Excludes incumbents with proposed equity adjustments and promotions prior to April 2019 and the Student Life and Development Specialist 1 positions since base salary includes cost for room and board.

# Salary Range Management

## Market Practices Findings



### KEY FINDINGS (continued)

3. If employees have pay that falls above the maximum salary range, the most common approach at comparator institutions is to freeze pay above the maximum and provide a lump sum bonus in lieu of an increase.

– UC Policy:

- UC's current policy states that "an employee's salary must be within the salary range that is assigned to the job title based on the associated position's duties and responsibilities; any exception must be approved in accordance with Section IV.C.1 of this policy" (Policy PPSM-30: Compensation; Section III.B.1.c.).

– UCOP Practice:

- UCOP provides employees with salaries at or above the maximum of the salary range for their position a one-time lump sum payment, or a portion of the merit increase that results in salary being over the range maximum (UCOP Performance Evaluation Process and Merit Salary Program for Policy Covered Employees Guidance – 2018).<sup>1</sup>

– Employees above the maximum of the proposed salary range:

- None of the UCOP employees' salaries are currently above the proposed range maximum. However, there are 11 employees (in grades 19-21, 27, 28, 30) whose salaries are less than 3% below the proposed maximum and, as such, have the potential to be above the range maximum in the future (if a 3% merit increase is assumed).
- One OGC employee's salary exceeds the proposed range maximum. Accordingly, UCOP will need to request an approval for a salary exception above the range maximum. There are no other employees who are less than 3% below the proposed maximum.

<sup>1</sup> Per Section IV.C.1 of UC's PPSM-30: "Salary actions that are not expressly provided for under any policy must be approved as exceptions by the Vice President–Systemwide Human Resources."

# Salary Range Management Impact Analysis



- Overall, SullivanCotter identified 67 UCOP and one OGC employees who are potentially impacted by the proposed salary actions due to the proposed range adjustments. The recommended salary adjustments are as follows:

## Increase to Minimum

### Total Employees Impacted = 18

- UCOP – 18 staff or 1.4%
- OGC – 0 staff

### Total Cost = \$87,622

- UCOP – \$87,622 or 0.06% of total non-represented UCOP staff payroll
- OGC – \$0

Reflects the estimated costs for increasing base pay to the proposed 2019 salary range minimum for applicable employees.

## Reduce Compression

### Total Employees Impacted = 49

- UCOP – 49 staff or 3.8%
- OGC – 0 staff

### Total Cost = \$101,832

- UCOP – \$101,832 or 0.07% of total non-represented UCOP staff payroll
- OGC – \$0

Reflects the estimated costs for increasing pay to the current position-in-range for employees in Q1/Q2 who are in the same or similar jobs to those that had employees increased to the minimum.

## Freeze Above Maximum

### Total Employees Impacted = 1

- UCOP – 0 staff
- OGC – 1 staff or 1.9%

### Amount Above Maximum = \$4,177

- UCOP – \$0
- OGC – \$4,177 or 0.04% of total non-represented OGC staff payroll

Reflects the estimated salaries paid over the maximum of the proposed 2019 salary range.

The total cost for the recommended salary adjustments are \$189,454 or 0.13% of total payroll.<sup>1</sup>

- Overall, there are currently **no initial cost savings** due to the proposed salary range adjustments. The inclusion of the public-sector data is lowering the underlying market data to establish the updated salary range midpoints, but does not result in significant cost savings as provided in UCOP merit guidelines.
- However, there are potential savings in the future, as employees may reach the top of the salary range more quickly due to narrower salary ranges. In these instances, UCOP should continue its current practice (freeze pay at salary range maximum and provide a lump sum payment in lieu of an increase in accordance with UCOP's Merit Guidelines).

<sup>1</sup> Excludes incumbents with proposed equity adjustments and promotions prior to April 2019 and the Student Life and Development Specialist 1 positions since base salary includes cost for room and board.



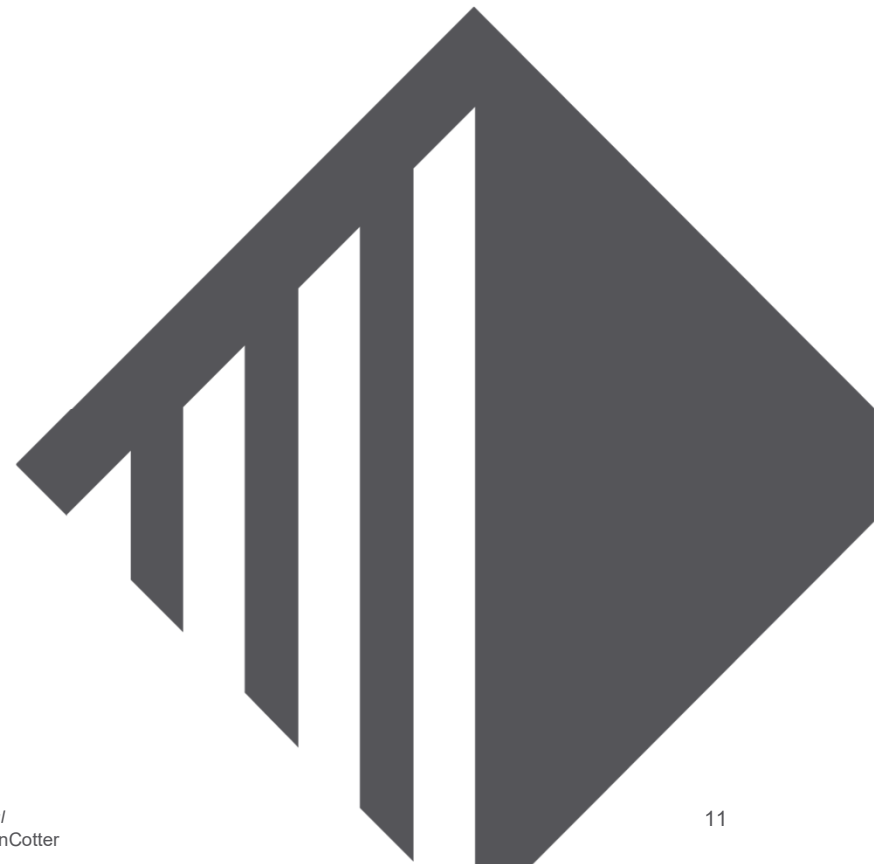
## Next Steps

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- Endorsement by the University of California Board of Regents' Governance and Compensation Committee of UCOP's proposed 2019 salary ranges and the approach for staff below minimum and above maximum and those at risk of compression.
- By March 2019, UCOP will finalize UCOP salary ranges in relation to the CSA's recommendations.
- Approval of the salary range adjustments by the COO and the President.
- Implementation of the narrowed and market adjusted UCOP salary ranges on April 1, 2019.

# Appendix

## Market Policy Survey Results





# Listing of Survey Participants

- Data were reported by 33 of UC's comparator institutions (19 public and 14 private universities). The participating organizations are listed below:

Survey Participants			
Comparator Institutions	Public/ Private	AAU	CPEC
Boston University (Boston, MA)	Private	✓	
Brown University (Providence, RI)	Private	✓	✓
Carnegie Mellon University (Pittsburgh, PA)	Private	✓	
Case Western Reserve University (Cleveland, OH)	Private	✓	
Cornell University (Ithaca, NY)	Private	✓	✓
Emory University (Atlanta, GA)	Private	✓	
Georgia Institute of Technology (Atlanta, GA)	Public	✓	
Iowa State University (Ames, IA)	Public	✓	
Massachusetts Institute of Technology (Cambridge, MA)	Private	✓	✓
Northwestern University (Evanston, IL)	Private	✓	✓
Princeton University (Princeton, NJ)	Private	✓	
Purdue University Main Campus (West Lafayette, IN)	Public	✓	
Rice University (Houston, TX)	Private	✓	
Stanford University (Palo Alto, CA)	Private	✓	✓
Texas A&M University (College Station, TX)	Public	✓	
Pennsylvania State University (University Park, PA)	Public	✓	
Tulane University (New Orleans, LA)	Private	✓	
University At Buffalo, State University of New York (Buffalo, NY)	Public	✓	✓
University of Colorado – System (CO)	Public		✓
University of Colorado Boulder (Boulder, CO)	Public	✓	✓
University of Colorado Springs (Colorado Springs, CO)	Public		✓
University of Florida (Gainesville, FL)	Public	✓	
University of Illinois at Chicago (Chicago, IL)	Public		✓
University of Iowa (Iowa City, IA)	Public	✓	
University of Maryland College Park (College Park, MD)	Public	✓	
University of Michigan-Ann Arbor (Ann Arbor, MI)	Public	✓	✓
University of Minnesota – System	Public		✓
University of Pittsburgh (Pittsburgh, PA)	Public	✓	
University of Southern California (Los Angeles, CA)	Private	✓	
University of Texas at Austin (Austin, TX)	Public	✓	✓
University of Virginia (Charlottesville, VA)	Public	✓	✓
University of Washington (Seattle, WA)	Public	✓	✓
Washington University in St. Louis (Saint Louis, MO)	Private	✓	



# Market Policy Survey Results

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- **Employees who fall below the minimum when salary ranges are adjusted:**
  - 88% of the institutions adjust base salaries to be at the minimum; of those:
    - 46% provide a salary increase first (such as merit, equity, or promotion) and then increase to the minimum.
    - 35% provide an increase to the minimum first, then provide an additional increase (such as merit, market or promotion).
    - 19% responded “Other” practices, citing varying practices by school or department and each individual’s circumstances, while one university noted that their policy is currently under review.
  - 12% of the institutions reported “Other” practices, such as “situationally based” positioning with the option to allow jobs below the salary range or varying practices by school or department to ensure equity within their units.
- **Employees who fall above the minimum and below the midpoint who are impacted by compression:**
  - 73% of institutions adjust for compression issues on a case-by-case basis.
  - 10% make compression adjustments on a formulaic basis based on certain criteria such as length of service, performance, etc.
  - 10% do not address compression issues.
  - 7% responded “Other” practices, citing that compression issues are addressed at the discretion of each school or not having a defined policy or process.



# Market Policy Survey Results

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- **Employees who fall above the maximum when salary ranges are adjusted:**
  - 58% freeze base salaries and provide a lump sum bonus in lieu of an increase.
  - 26% do not freeze base salaries and continue to provide a merit increase above the maximum.
  - 10% freeze base salaries and do not provide a lump sum bonus.
  - 6% responded “Other” practices, citing varying practices depending on employee group (freeze base salaries for State employees and provide them with a lump sum payment in lieu of an increase; however, exempt staff may go over the salary range) or not having a defined policy or process.