

Office of the President

TO MEMBERS OF THE COMMITTEE ON COMPENSATION:

ACTION ITEM

For Meeting of March 18, 2009

APPROVAL OF AMENDMENTS TO FREEZE OF SENIOR MANAGEMENT GROUP SALARIES AND SUSPENSION OF BONUS AND CERTAIN OTHER VARIABLE PAY PLANS

EXECUTIVE SUMMARY

At the January 2009 Special Meeting of the Regents, the Regents approved the *Proposal to Freeze Senior Management Group Salaries and Suspend Bonus and Certain Other Variable Pay Plans* (Item C1), an action to freeze salary for members of the Senior Management Group (SMG) for fiscal year 2008-09 and fiscal year 2009-10 and for certain additional restrictions on participation in bonus, incentive and variable pay programs for that same time period as well as fiscal year 2007-08. Specifically, Item C1:

- froze salaries for all SMG members (paragraphs 1 and 2)
- cancelled or substantially limited bonuses through fiscal 2009-10 (paragraph 3)
- limited incentive program payouts to the clinical enterprises and Treasurer's Office (paragraph 4)
- cancelled all pending bonuses and incentives for SMG members and bonuses for employees with total compensation greater than \$205,000 (paragraph 5)
- allowed payments of pending incentives for non-SMG members (paragraph 5)

The extreme fiscal challenges facing the University have worsened since the January meeting and, in order to demonstrate that the University is managing its scarce resources wisely and efficiently, the President now requests that the prior action be amended to further limit payouts of incentives by deferring incentive payments until the end of fiscal year 2009-2010 as an important additional measure to respond to this financial crisis. The item also defers – and does not cancel – the SMG incentives that were cancelled by the Item C1. The amended language appears below.

RECOMMENDATION

The President recommends that the Committee on Compensation recommend to the Regents that the *Proposal to Freeze Senior Management Group Salaries and Suspend Bonus and Certain Other Variable Pay Plans* (Item C1), approved at the January 2009 Special Meeting of the Regents, be amended to add the following section, which section shall replace and supersede

in all respects section 5 of Item C1. In all other respects Item C1 shall remain as approved in January.

NEW Subparagraph 5 of Item C1

5. Payments for staff participants that are currently pending from fiscal years 2007-08 and any payments attributable to fiscal year 2008-09 in all bonus, incentive or variable pay plans other than the plans addressed in paragraph 4 of Item C1 approved at the January 2009 Special Meeting of the Regents, are subject to the following action:
 - a. For SMG members, all pending bonus payments for fiscal year 2007-08 and any such payments attributable to fiscal year 2008-09 and 2009-10 are cancelled.
 - b. For non-SMG members whose total cash compensation is above \$205,000, all pending bonus payments for fiscal year 2007-08 are cancelled.
 - c. For all staff members, consideration of any incentive or variable pay plan payments for fiscal year 2007-08 will be deferred until the end of fiscal year 2009-10, at which time this suspension will be reviewed.
 - d. For all staff members, consideration of any incentive or variable pay plan payments attributable to fiscal years 2008-09 and 2009-10 will be deferred until the end of fiscal year 2009-10, at which time this suspension will be reviewed.

If legal or contractual obligations are identified thereby requiring processing of a payout, the Regents' approval will be required.