

ATTACHMENT 2

RECOMMENDATION B: TO ADOPT PROCEDURES FOR DETERMINING AND SETTING COMPENSATION LEVELS FOR SENIOR LEADERSHIP THAT ARE CLEAR, COMPREHENSIVE, AND ACCOUNTABLE IN ACCORDANCE WITH THE PRINCIPLES IN APPENDIX 1.

- A salary range structure shall be approved by the Board of Regents for all campus and OP positions and shall be established based on recommendations of an external consultant.
- The Board of Regents will approve annual adjustments to the salary ranges based on an external consultant review and recommendations of the ranges and the placement of all targeted positions within this grade structure.
- For all positions of the Senior Leadership Compensation Group whose compensation exceeds the Indexed Compensation Level (ICL), the procedures described in Appendix 1 shall be used. Briefly, these procedures are:

The Indexed Compensation Level (ICL) that was used for 2004-2005 was \$168,000. The ICL shall be adjusted annually based on the CPI and shall be reported annually to the Regents in accordance with Regental Bylaw 12.3(m)(2).

- (1) The salaries for 32 positions specifically listed on Appendix 1 shall be directly approved by The Regents, with advice and recommendations as detailed in Appendix 1.
- (2) The President, for all positions in the Senior Leadership Compensation Group except for the 32 directly approved by The Regents, will, with the advice of the Senior Management Advisory Committee, determine specific salaries for each position within the grade structure approved by The Regents and consistent with the budget funding levels approved for each campus and for the Office of the President, by The Regents.
- (3) All salary increases in any one year that result in any salary over the maximum of the salary range for the position or an increase in excess of 15 percent that places the salary above the midpoint of the salary range for the position shall be individually approved by The Regents.
- (4) An annual report shall be made to The Regents on all positions and salaries for all whose compensation is in the Senior Leadership Compensation Group (i.e., in excess of the Indexed Compensation Level).

Appendix 1

SENIOR LEADERSHIP COMPENSATION POLICY

1. POSITIONS INCLUDED UNDER THIS POLICY SHALL INCLUDE all positions of the University whose compensation is in excess of the Indexed Compensation Level (ICL), and this group of positions shall be called the Senior Leadership Compensation Group, or SLCG.
2. APPROVAL OF COMPENSATION shall be as follows:
 - a) Compensation of the President and Secretary of The Regents shall be determined by the Board of Regents upon recommendation of the Committee on Finance.
 - b) Compensation of the General Counsel shall be determined by the Board of Regents upon recommendation of the Committee on Finance after consultation with the Office of the President.
 - c) Compensation of the Treasurer shall be determined by the Board of Regents upon recommendation of the Committee on Finance after consultation with the Office of the President, the Committee on Investments, and the Investment Advisory Committee.
 - d) Compensation of the Chancellors, Senior Vice Presidents and Vice Presidents, Medical Center Heads, and the Laboratory Directors, including compensation upon appointment and subsequent changes in compensation, shall be determined by the Board of Regents upon recommendation of the President through the Committee on Finance.
 - e) Compensation of other Officers of the University with annual rates above the Indexed Compensation Level shall be established within the ranges set by the Board of Regents and determined by the President and shall be reported annually to the Board of Regents.
 - f) Compensation of all other Officers of the University with annual rates below the Indexed Compensation Level shall be determined by the President and reported annually to the Board.
3. As provided in The Regents' Bylaws, the Indexed Compensation Level (ICL) shall be adjusted annually in accordance with changes in the Consumer Price Index and shall be reported annually to the Board. The base ICL used for 2004-2005 was \$168,000.
4. For all positions in the Senior Leadership Compensation Group, The Regents shall approve salary ranges annually upon recommendation of the President and/or in accordance with the process specified in item 2a through 2e above. Such recommendations shall be based on comparisons to the Full Comparison Group, the New Comparison Group, the Comparison Eight, the Private Peers, and the Public Peers, and on equity within the University of California. A cash compensation study shall be conducted annually and shall provide the basis for setting the salary ranges.
5. The methodology for setting the Salary Ranges shall reflect the relationship of the UC

campuses to the comparison institutions and to other UC campuses.

6. All salaries for the SLCG except for those 32 requiring direct Regental approval (2a through 2d above) shall be determined by the President within the Salary Ranges and budget levels approved by The Board of Regents and funding levels available from State funds and other University sources, including private funds available, in accordance with Appendix 2. The Board of Regents shall set priorities annually for the use of available funds as recommended by the President, considering factors such as total compensation discrepancies, retention, recruitment, performance, and other matters.
7. Any salary for a member of the SLCG above the approved Salary Range shall be presented to The Board of Regents for approval through the Committee on Finance.
8. Any salary increase in excess of 15 percent of base salary for a member of the SLCG that will result in a salary above the salary grade midpoint for the position must be approved by The Board of Regents.
9. The President may establish procedures and delegate to each of the Chancellors the ability to set salaries for the SLCG within approved ranges for:
 - Non-represented Professional and Support Staff;
 - Management and Senior Professional Staff whose salaries are under the Indexed Compensation Level.
10. The President may establish procedures and delegate to each of the Chancellors the ability to set salaries in accordance with Universitywide guidelines established by the President for certain other non-SLCG employees.
11. All salaries for each position in the SLCG shall be reported to The Regents annually, following the annual merit process. The report shall include the methodology used to set salaries within the ranges and shall provide comparisons within campus and Universitywide for the positions and salaries reported.
12. On recommendation of the respective Principal Officer of The Regents, compensation for the Office of the Treasurer, the Office of the General Counsel (including resident counsel) and the Office of the Secretary (excluding the Treasurer, the General Counsel, and the Secretary, whose compensation shall be approved by the Board of Regents in accordance with paragraph 2 above) shall be determined by the President, the Chair of the Board of Regents, and the respective Committee Chair of The Regents. In the event that the parties do not concur, compensation shall be determined by the Board of Regents. If such salaries are in excess of the current Regental ICL threshold, then the Board of Regents shall determine the ranges for such salaries in accordance with item 4 above.