

In 2013, UC implemented a salary program for policy-covered (non-union represented) staff; however, the program excluded the following employees:

- Level One SMGs (the President of the University, all Chancellors, medical center Chief Executive Officers, and SMGs who report directly to the President and/or the Regents)
- Athletic coaches and other athletic personnel whose salaries are covered by multi-year contracts
- Level Two SMGs whose proposed base salary fell at or above the 75th percentile of their Market Reference Zone (MRZ)

The lack of salary increases over a multi-year period poses talent retention issues and hiring challenges at UC. These challenges are expected to grow, particularly as the economy recovers and more institutions are in a position to recruit UC's top performers.

- **UC Chancellors' compensation relative to market:** UC Chancellors have not received salary increases in seven years. According to the 2011 University President and Chancellor Compensation Survey conducted by Mercer Human Resources (HR) Consulting, the median salary of UC Chancellors lags the Full Comparison Group – the 26 public and private institutions designated by CPEC (California Postsecondary Education Commission) as the University's comparator group – median by 29 percent and the AAU public institutions median by 10 percent. In addition, median total cash compensation for UC Chancellors similarly lags the Full Comparison Group median by 35 percent, AAU public institutions by 19 percent, Institutions with Medical Centers by 34 percent and Private Institutions by 47 percent.

In 2013, UC Chancellors' average salaries were below the 50th percentile of the Market Reference Zone (MRZ) for base salary by 24.3 percent and by 39.7 percent with respect to the 50th percentile of the market composite for target cash compensation. An MRZ is a unique range of base salary that the University has established for each functional position in the Senior Management Group. The MRZ displays the 25th, 50th, 60th, 75th and 90th percentile base salary in the defined competitive market for each functional position. MRZs are intended to reflect the dynamic labor market in which the University competes for talent. The MRZs enable the University to systematically administer and manage the salaries of SMG members in a manner that is consistent with relevant external market comparator groups, fosters appropriate internal consistency, and facilitates budget control.

In addition, according to the UK Times 2014, the salaries of UC Chancellors fall in the bottom third as compared to other AAU institutions when a reputational ranking is incorporated into the calculation. Many institutions, particularly the privates, offer other forms of cash compensation that UC does not offer, which further exacerbates the disparity.

- **Incentive compensation is used to motivate excellent performance in support of University priorities:** Like many employers nationwide, UC uses incentive compensation

plans to encourage and reward sustained individual and group performance in support of key University objectives:

- Medical Centers: Incentive compensation plans for UC medical centers include employees at all levels – from clerical and custodial staff to senior hospital leaders – and reward individual as well as group efforts that accomplish key priorities, such as improving patient care and safety, enhancing operational efficiency and maintaining sound financial management.
- Office of the Chief Investment Officer: Consistent with industry standards, the Office of the Chief Investment Officer (CIO) – formerly known as the Treasurer’s Office – has an annual incentive compensation plan that motivates and rewards employees responsible for maximizing long-term total investment returns while assuming appropriate levels of risk and promoting teamwork.
- Athletic Directors, Coaches and Other Athletic Positions: For athletic directors, coaches and other incumbents in athletic positions included in this report, incentive compensation is funded by athletic department revenue or other non-State revenue sources, including revenue generated from television and radio contracts, marketing arrangements with equipment and clothing manufacturers, and summer sports camps. The incentive compensation for athletic directors, coaches and other athletic positions is typically tied to the attainment of specific goals, such as winning a national championship, and is paid only if those goals are met. As teams improve their winning records, national attention brings outside employment opportunities, which may require adjusting compensation terms to retain successful coaches. When hiring a new coach or retaining an existing coach, the market demand for their services necessarily plays a role in determining the compensation offered by the University. The compensation offered to UC coaches is also aligned with that of other coaches in the PAC-12 with comparable win/loss records.
- **No State funds used for incentives**: State funds were not used to fund incentive award payments for clinical and health sciences personnel, CIO personnel, or coaches and other athletic personnel included in this report.
- **Funding source for recognition awards**: Recognition awards may be funded within existing division and department budgets. Unrestricted fund sources (mainly general and common funds) may be used for recognition awards. The use of restricted funds is subject to any restrictions on those funds.
- **Incentive and recognition award pay by the numbers**: Of the 241 employees included in this report, 89 received incentive or recognition award pay, which collectively totaled approximately \$7.9 million, or approximately .07 percent of UC’s \$11.7 billion annual payroll. Of this \$7.9 million, \$3.9 million, or 49 percent, consisted of payments from the medical enterprise’s Clinical Enterprise Management Recognition Plan (CEMRP) and other

clinical incentive plans. \$3.2 million, or 41 percent of the total incentive and recognition pay, consisted of payments under the CIO Annual Incentive Plan (AIP). Incentive awards for athletic directors, coaches, and incumbents in other athletic positions totaled approximately \$827,000, or 10 percent of the total. Recognition award program payments of approximately \$6,000 made up the remainder.

REPORT FORMAT AND CONTENT

The report includes compensation information for 241 University employees who were employed in a position that met the reportable population criteria on December 31, 2013. The report does not include employees who separated from the University prior to December 31, 2013.

The report consists of two sections: (1) a list of the employees and the compensation elements for each employee that make up their total cash compensation for the calendar year; and (2) an addendum with footnotes that provides additional information regarding some of the compensation elements listed for particular employees.

The following information provides a description of the data in each column of the report:

Annualized Base Salary as of December 31: This column reports the annualized base salary rate for the employee and includes any changes to the employee's base salary as of December 31, 2013, such as market, equity, merit, and other salary adjustments.

Actual Base Salary Received: This column reports the actual base salary received by the employee for the calendar year.

Actual Incentive/Recognition Awards Received: This column reports the total incentive awards and/or recognition awards received by the employee for the calendar year. Such compensation falls into one of the following categories: (a) incentive and/or recognition award compensation received by coaches; (b) incentive awards from the clinical incentive plans, CEMRP and CEMRP2 ; (c) incentive awards from the CIO's AIP; (d) awards from recognition award plans.

Actual Health Sciences Compensation Plan Received: This column reports the total compensation received by the employee for the calendar year from the Health Sciences Compensation Plan (HSCP), per policy, from qualified outside activities such as clinical services, research and other professional activities. Because an employee's outside activities fluctuate from year to year, the HSCP payments will fluctuate accordingly. UC policy stipulates that the funds distributed from the HSCP not be derived from State sources.

Actual Stipend Received: This column reports the actual stipend total the employee received for the calendar year.

Actual Auto Allowance Paid: This column reports represents the actual auto allowance the employee received for the calendar year.

Other Cash Compensation/Payments Received: This column reports the total of any other compensation or payments that the employee received from the University for the calendar year.

Actual Housing/Relocation/Recruitment Allowances Paid to Employee: This column reports the actual housing allowance, relocation allowance, and/or recruitment allowances that were paid to an employee for the calendar year.

Total Cash Compensation: This column reports the sum of the actual amounts received by the employee in the following categories for the calendar year: base salary, incentive or recognition awards, health sciences compensation, stipend, auto allowance, other cash compensation/payments, and actual housing/relocation/recruitment allowances. The total cash compensation may not correspond with the employee's W-2 earnings because there are elements included in W-2 earnings that are not included in the University's definition of total cash compensation, such as imputed income.

Senior Management Benefits: A "Y" in this column indicates that the employee received one or both of the following benefits for the calendar year: Senior Manager Life Insurance and/or Executive Salary Continuation for Disability.

University-Provided Housing: A "Y" in this column indicates that the employee received University housing, which is provided to the President of the University and the Chancellors (Executive Officers) who, as a condition of their employment, live in residences suitable for carrying out their roles and required official duties.

Severance Benefits: A "Y" in this column indicates that an individual received pay pursuant to a severance or separation agreement.

Senior Management Supplemental Benefit: This column reports the percentage of the employee's total salary that the University contributed on the employee's behalf to the Senior Management Supplemental Benefit Program for the calendar year if the employee is an SMG member eligible for this benefit. SMG members with underlying tenured faculty appointments are not eligible to receive this benefit unless it has been approved as an exception to policy.

Additional Post-Retirement Benefits: A "Y" in this column indicates that the employee received post-retirement benefits such as retiree medical coverage, enhanced retirement income benefits, and enhanced retirement vesting schedules. This may occur with rehired retirees.

Reimbursed Moving Costs: This column reports the total amount the employee received for the calendar year in connection with moving, such as a temporary housing allowance and reimbursement for house-hunting trip expenses, travel expenses, and payments to outside vendors for the shipment of household goods, storage fees, or other moving expenses consistent with policy.

