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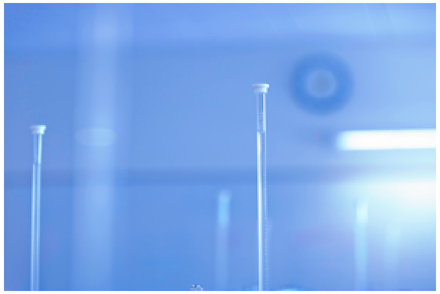


YEAR 2 EQUITY PROGRAM AT UCM

SYSTEMATICALLY ADDRESSING SALARY INEQUITIES AS PART OF CHANCELLOR LELAND'S THREE-YEAR COMPENSATION STRATEGY

WEBCHAT WITH ASSISTANT VICE CHANCELLOR POWELL – 25 JULY 2016

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Historical Challenges...

- Past practices/policies negatively impact long-term campus goals
  - Absence of market-based pay
  - Hiring at or below the 25th percentile of a salary range
  - Lack of transparency
- Results
  - UCM at low end of "normal" distribution
  - Salary compression
  - Retention challenges/flight risks

…and A Resulting Plan of Action

- A 3x3 compensation strategy:
  3 years to achieve 3 stated objectives –

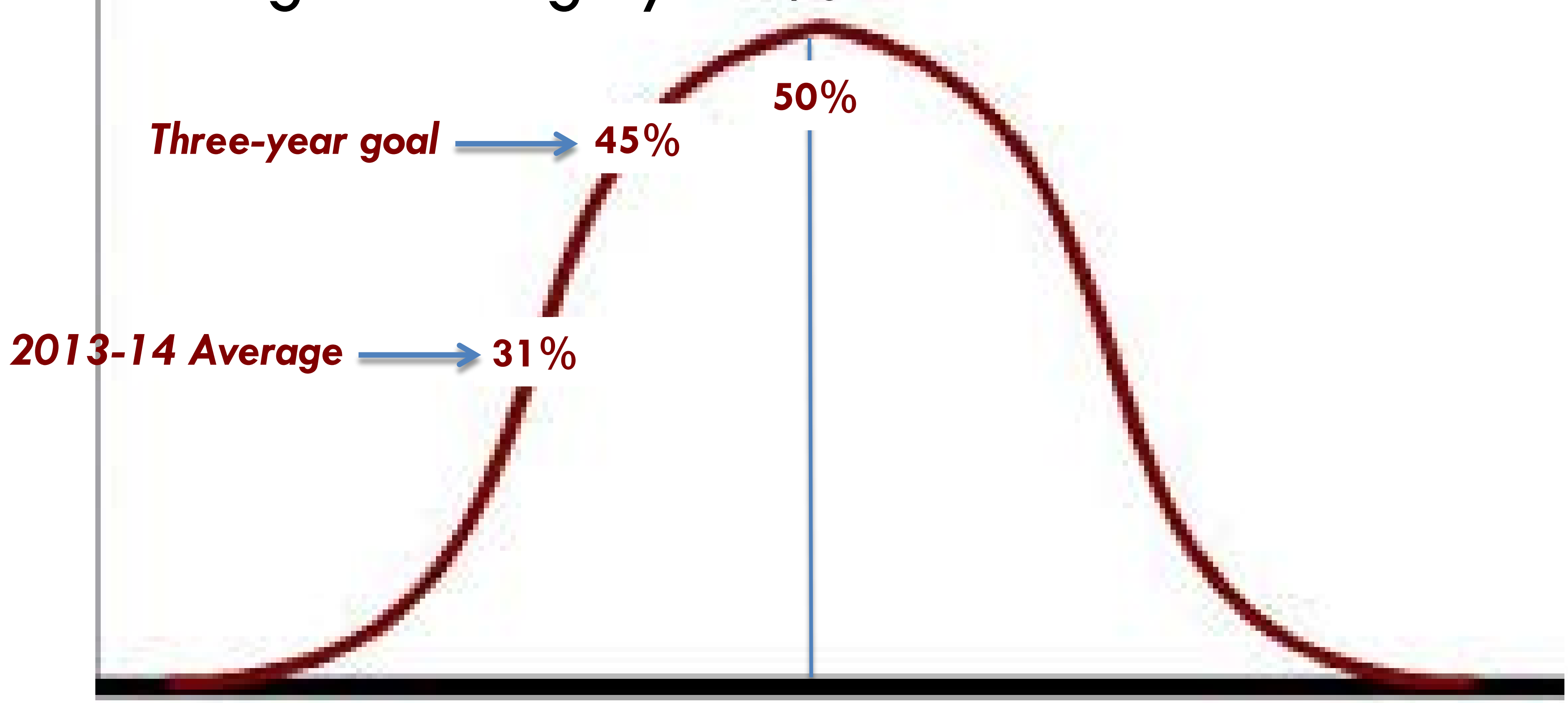
  - *Increase the **average range of market percentile** for UC non-represented staff from the current 31% to at least 45%;*

  - *Address basic fairness at UC Merced;*

  - *To invest in job functions most critical for achieving campus priorities for Project 2020.*

The Chancellor's 3-Year Distribution Goal

Within the entire organization, the ultimate goal would be an even distribution – with the overall average at roughly 50%



Year 2 Equity: 1st Consideration

- Do Effects of the Loyalty Tax linger?
  - Yes
  - How do we define Loyalty Tax?
    - A case wherein there was:
      - a lack of providing or keeping up with market competitive salaries for existing, long-term employees
      - as compared with salaries paid to new employees that are in alignment with equal or lesser experience in the same or similar classification.
    - This evaluation criteria requires that employees were employed with UC Merced prior to June 30, 2010 and are still in the same classification as of the implementation of Career Tracks (conversion date circa 10/1/2012).

Year 2 Equity: 2nd Consideration

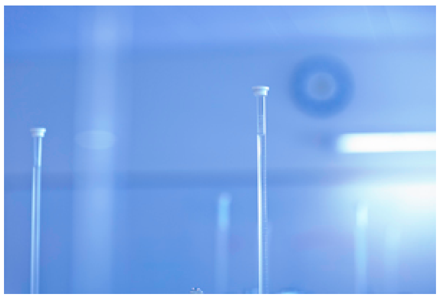
- Are there Specific Job Families Showing Unique or Severe Deviations from Market Norms?
  - No
  - Our inequities exist across the board.
  - In other words, our deviations from market data impact almost all of our job families to varying degrees.
  - No classification or division is uniquely advantaged or disadvantaged against the market.

Implementation Considerations

- Should we focus our fire on specific Job Families that are (1) hard to recruit and (2) hard to retain?
  - Under this criteria: funds are focused on fewer job families
  - Pro: permanently corrects identified job families suffering historical inequities
  - Con: limit impact, as <50 individuals benefit (7.5% of eligible staff)
  - DECISION: Do not concentrate funds in Year 2; spread them around.
- Is a 6/1/16 date acceptable?
  - Pro: Cash Flow considerations make this desirable and permit us to tap the $300k carry-over from Year 1
  - Con: if we retro to 1/1/16, we may have to shorten the list of eligible employees given cash-flow considerations.
  - DECISION: use June 1st, thereby impacting a greater number of staff.
- Defer underperforming staff for consideration in year 3?
  - DECISION: Underperforming staff (PIP or Perf. Eval) otherwise eligible are deferred to Year 3.

Year 2 Equity Program Application

- Funds available to spend
  - $500,000 from Year 2 Infusion
  - $300,000 from Year 1 carry over (confirmed with P&B)
- Most individuals suffer from the loyalty tax and are below the 25th percentile to market
  - These are the worst of the worst and require redress
- A small band of these individuals experience additional internal inequities/compressions that require redress.
- Equity increases began at +3.00%
- Total staff benefiting: over 200, representing 36% of eligible staff.
- Effective Date: retroactivity to June 1, 2016.


END: YEAR 2 EQUITY PROGRAM AT UCM

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