

# The University of California Santa Barbara

## The New Compensation Plan for Managers and Senior Professionals (MSP)

### Executive Summary February 2009

The way in which managers and senior professionals (MSPs) are classified and compensated is an important component of the campus's overall recruitment and retention strategy for this particular group of staff. In 2007 there were 283 managers and senior professionals in the MSP group. These people are generally either individual contributors or hold positions of campus leadership, or both. The compensation plan for this group has become, overtime, a less than effective tool at meeting the needs of this dynamic group of people and jobs. To that end, in May 2007, the campus made a decision to undertake a comprehensive study of MSP compensation with the goal of designing a new, market-based compensation plan for managers and senior professionals.

In considering a new design for the MSP compensation plan, it was important to consider the deficiencies of the current plan. The problems and complaints of the current MSP compensation plan were that the plan often required departments to reclassify positions rather than use salary equity to increase salaries; decisions about classification and compensation were frequently made based on individuals rather than the broader market; the salary ranges in the plan overlapped and therefore obscured distinctions between grades; there was no comprehensive salary administration plan and much of what occurred seemed to be "ad hoc"; and, the plan was not responsive to recruitment and retention needs of this group.

In designing a new plan, it was important to assure that UCSB provide a competitive MSP salary structure going forward into the future. In order to do so, the new salary structure would need to have as its foundation – **a market-based competitive pay structure**. Market-based pay is a formal process for determining the external value of jobs in order to deal with the realities of competing for talent in an external market. A market-based compensation plan adjusts to changes in the labor market and helps maintain a competitive system that is fair and defensible. In addition, a market-based compensation plan is internally more equitable, readily updated with market surveys, easily understood by broad audiences, and fiscally responsible.

To begin the work on the new MSP compensation plan, several structures were put into place. First, a consultant was chosen through a competitive bid process, to help design the study and guide the progression of work. Sibson Consulting from the Segal Group was selected as the compensation consultant. Sibson has broad experience in higher education compensation plan design and fully met the criteria set forth in the Request For Proposal (RFP).

Three groups were then formed. They were:

1. The Steering Committee comprised of the campus divisional Vice Chancellors and the Assistant Chancellor for Budget and Planning. The Steering Committee provided input and oversight around strategy and objectives; acted as a sounding board; acted as final decision and approval authority for final recommendations.
2. The External Design Team (EDT) whose tasks were to research and analyze, select and confirm benchmarks and competitive talent markets. **[Members of the External Design Team are appended]**
3. The Internal Design Team (IDT) whose tasks were to adjust external benchmark data as needed and to determine pay structure and set pay administration guidelines. **[Members of the Internal Design Team are appended]**

Over the course of the next 16 months, the External Design Team followed by the Internal Design Team, completed its' work and made committee reports and recommendations to the Steering Committee. In September 2008, final recommendations were presented and adopted by the Steering Committee. The new MSP compensation plan was complete except for pay administration guidelines and plan implementation. Pay administration guidelines were completed in late fall of 2008 and the formal implementation of the plan is targeted for May 1, 2009.

### **The Market**

The population for this study included 283 MSP incumbents in 212 unique positions. As part of the effort to determine competitive benchmarks for these 212 positions, eleven (11) market surveys were used. These surveys were chosen because they most closely represented our market competitors and had comparable positions. The surveys used were:

*CUPA-HR Administrative Comp*  
*CUPA-HR Mid-Level*  
*EduComp*  
*Head Coach Salary Survey 2007*  
*Mercer Executive*  
*Mercer Financial, Accounting & Legal*  
*Mercer Human Resources*  
*Mercer Information Technology*  
*UC Cross Campus Survey*  
*Watson Wyatt Mid-Level*  
*Watson Wyatt Top Management*

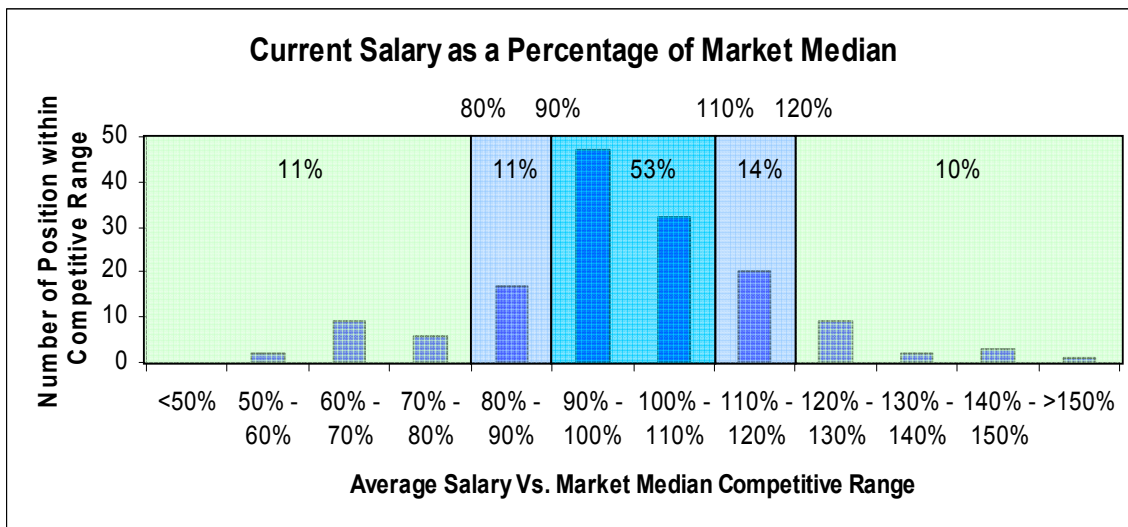
The results of the benchmarking process, as shown in the chart below, reveal that 118 of the 212 positions were benchmarked, or 56%, Of the incumbents, 166 of the 283 incumbents, or 59%, were benchmarked using competitive market data \*

**MSP Benchmarking Results**

Grade	Total Population		Benchmarked Population		Representation	
	Positions	Incumbents	Positions	Incumbents	Positions	Incumbents
MSP1	58	94	22	57	38%	61%
MSP2	74	86	48	51	65%	59%
MSP3	29	47	16	26	55%	55%
MSP4	31	31	20	20	65%	65%
MSP5	9	14	4	4	44%	29%
MSP6	7	7	5	5	71%	71%
MSP7	4	4	3	3	75%	75%
<b>Total</b>	<b>212</b>	<b>283</b>	<b>118</b>	<b>166</b>	<b>56%</b>	<b>59%</b>

\* In the initial benchmarking process performed by Sibson, overall, 70% of the positions were benchmarked. However, during the work of the External and Internal Design Teams, a number of matches were removed due to the application of internal criteria

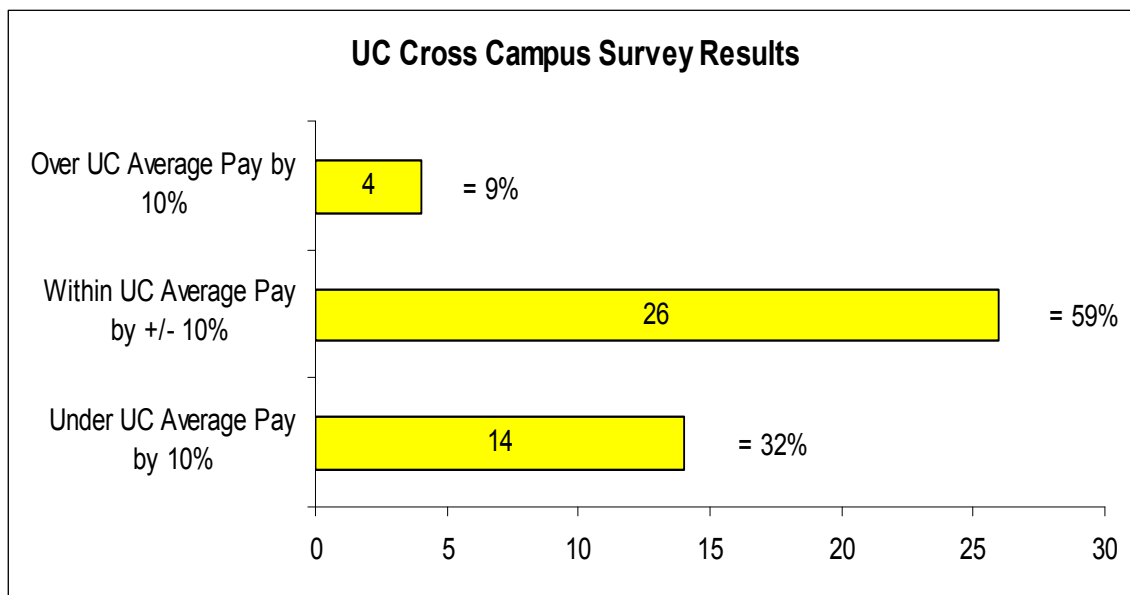
Another external measure of UCSB’s MSP positions is the assessment of the current salary as a percentage of the market median for those positions that had market matches. This data are shown below.



What this chart shows is that 53% of our MSP average salaries are between 90% and 110% of the market median competitive range. Seventy-eight percent (78%) of our MSP salaries are between 80% and 120% of the market median competitive range. And, 10% of our average salaries are 120% or above market median and 11% are 80% or below. Generally a position is considered “at market” if the salary is +/- 10% from the market median.

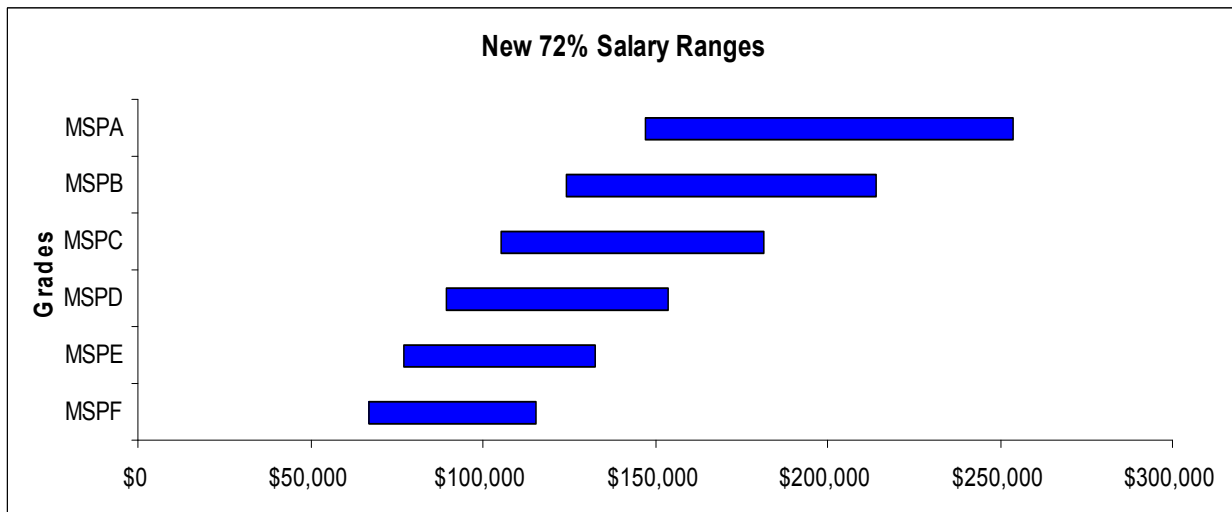
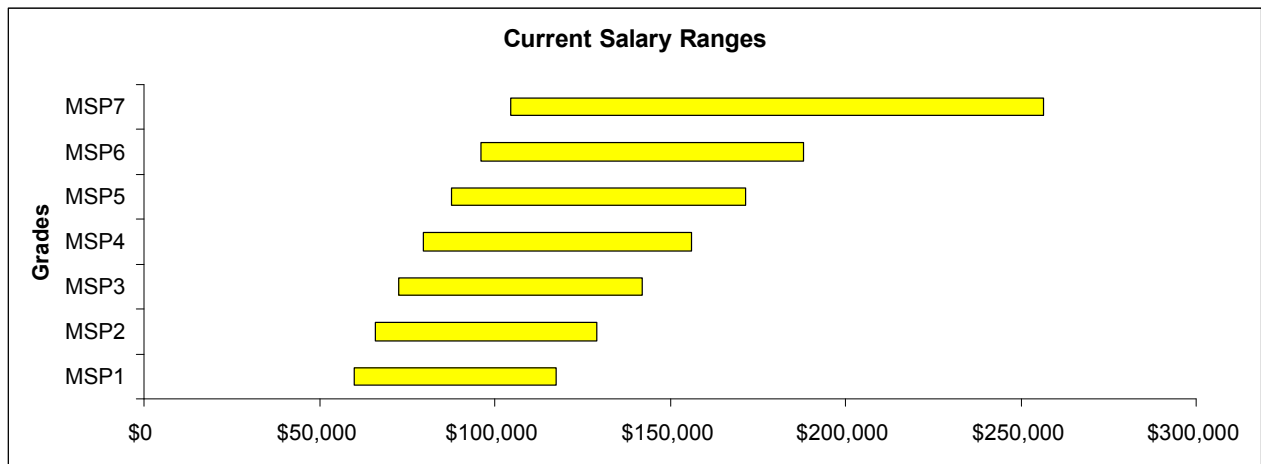
To measure the competitiveness of MSP salaries within the unique environment of the UC system, the nine UC undergraduate campuses participated in a survey that was a supplement to the other survey sources being used in this study. To be included in the survey, a position had to meet certain criteria. One criterion was that the position had to exist within at least three undergraduate UC campuses. When three or more campuses submitted average salary for a position, the median of the average was used for that position.

Forty-four (44) positions were included in the final results of the survey representing 438 UC system-wide incumbents. The results below show that 59% of UCSB positions were within 10% of the UC system-wide median. Another 9% were 10% or more above the system-wide median, and 32% were 10% or more below the system-wide median.



The External Design Team (EDT) completed its analysis having benchmarked approximately two-thirds of the MSP positions to external market data. The EDT made its recommendations to the Internal Design Team (IDT) and to the Steering Committee. The most important recommendations were to use the competitive salary sources to set midpoints for new salary ranges in a new salary structure based on the aggregate of market medians, and to incorporate changes as needed to reflect the market median compensation for final benchmark positions.

The Internal Design Team (IDT) reviewed the benchmarked positions and removed some of the positions as market matches, and graded them according to internal factors such as job worth, job breadth/scope, and internal equity. The IDT established the new salary structure creating a narrower, more distinct salary range structure. The new range spread is now 72% whereas the previous range spread was 96%. Mid-point progression is now between 15% and 18%, whereas previous mid-point progression was approximately 10%. The graphic difference in the two salary structures is shown below.



The new MSP salary structure, shown on the next page, differs as described above and has one fewer grades, now six instead of seven, and the grades have been retitled in letters instead of numbers, now Grades F-A instead of Grades 1-7. The new structure, again based on market data with mid-point control, has more competitive starting rates in each grade, has clearer distinction in salary grade assignments that will reduce classification requests, and is less likely to be confusing because the differences between grades are more distinct.

### New MSP Compensation Salary Structure

<b>Grade</b>	<b>Minimum</b>	<b>25th Percentile</b>	<b>Midpoint</b>	<b>75th Percentile</b>	<b>Maximum</b>
F	\$67,000	\$79,100	\$91,200	\$103,250	\$115,300
E	\$77,000	\$90,900	\$104,800	\$118,700	\$132,600
D	\$89,300	\$105,450	\$121,600	\$137,700	\$153,800
C	\$105,400	\$124,450	\$143,500	\$162,500	\$181,500
B	\$124,400	\$146,850	\$169,300	\$191,750	\$214,200
A	\$147,300	\$173,900	\$200,500	\$227,050	\$253,600

The final work required to implement the new MSP compensation plan was to write pay administration guidelines. Those guidelines have been completed and reviewed. They include:

- Implement a market-competitive compensation system supplemented by compensable factors.

- Assign grades based primarily on market data.

- Allow greater decentralization of pay administration to Vice Chancellors.

- Communicate competitive pay philosophy and establish new pay and classification practices.

- Maintain Human Resources' Market Survey Data Base for benchmarked positions.

- Commit to annual analysis of market impact on salary structure.

- Maintain a market competitive salary structure.

The plan will be fully implemented on May 1, 2009. Each MSP incumbent will be invited to a divisional information session and the entire MSP compensation program will be explained at this session. After the divisional meeting, each incumbent will receive an individually addressed letter providing information about his or her new grade and salary structure. There will also be information at the website referenced below.

As a result of implementing the new MSP compensation plan, there will be no changes to any individual's job duties or title codes. No individual's salary will decrease as a result of this new plan. If a person's salary is below the minimum of his or her new grade, that person's salary will be brought up to the new grade minimum.

You are also welcome to contact either Cynthia Cronk or Tricia Hiemstra . Their contact information is below.

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Bill McTague	VC Student Affairs
Steve Velasco	Institutional Research
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