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Personnel Policies for Staff Members**II-71 Senior Management Supplemental Benefit Program**

This policy does not reflect changes proposed in Item 3C presented to the Special Committee on Compensation at The Regents' meeting of January 18, 2006. The policy will be amended consistent with the changes approved by The Regents.

A. GENERAL

The Senior Management Supplemental Benefit Program (Supplemental Benefit Program) provides for contributions to be made to the Retirement Savings Program Plans (RSP Plans)¹ in lieu of the benefit provided under the Senior Management Severance Pay Plan (SMSPP) in effect as of December 31, 2004. The SMSPP has been amended to comply with requirements of the Internal Revenue Code and related guidance from the Internal Revenue Service.

B. ELIGIBILITY

Senior Managers in full-time (100%) appointments are eligible to participate in the Supplemental Benefit Program. A Senior Manager is not eligible to participate in the Supplemental Benefit Program if the Senior Manager:

1. holds a dual academic appointment;²
2. is appointed at less than full-time; or
3. is appointed in an acting or interim capacity.

Eligible Senior Managers automatically participate in the Supplemental Benefit Program and are precluded from participating concurrently in the Health Sciences Severance Pay Plan Program.

C. CONTRIBUTIONS

No participant in the SMSPP, other than an eligible Senior Manager who separates from University-paid service in 2005, shall accrue additional pay-based credits under the SMSPP after 2004. In lieu of such pay-based credits, under the Supplemental Benefit Program the University will make a contribution to one or more of the RSP Plans on behalf of each eligible Senior Manager equal to the percentage rate of compensation established for such

manager's base salary and appointment level grade (3% for Grade A appointments; 5% for Grades B and higher), subject to any limitations in the applicable RSP Plans. If an individual resigns from an eligible Senior Management position, but continues employment with the University, the employee will no longer be eligible for a contribution to the RSP Plan in lieu of pay-based credits.

In addition, the University may make one or more contributions in a flat dollar amount (Fixed Contribution) on behalf of an eligible individual. A Fixed Contribution shall be in an amount designed to offset credits, if any, previously accrued under the SMSPP plus imputed interest and other adjustments determined by the Plan Administrator of the RSP Plans, in the administrator's sole discretion, as indicated in order to provide the individual a benefit reasonably equivalent to the benefit that would have been provided under the SMSPP formula in effect as of December 31, 2004, subject to the limitations of the RSP Plans. The amount of a Fixed Contribution, if any, shall be stated in the applicable RSP Plans. Any benefit accrued by an individual under the SMSPP shall be reduced to the extent offset by a Fixed Contribution in a corresponding amount made to the RSP Plans on the individual's behalf, and the individual shall have no further right or claim to a benefit under the SMSPP with respect to the offset amount.

D. RESIDUAL BENEFITS

An individual's residual benefit in the SMSPP shall be credited with earnings at the Short-Term Investment Pool (STIP) rate each calendar quarter until such time as the benefit is offset by a contribution to the RSP Plans or distributed to the individual. The STIP rate shall be at the most current quarterly rate used to calculate interest amounts except that the rate for the third calendar quarter shall also be used for the fourth calendar quarter. Contributions made to the RSP Plans shall be credited with earnings and reduced for losses as described in the RSP Plans, consistent with the individual's investment choices.

E. PAYMENT OF RESIDUAL BENEFIT

Any residual SMSPP benefit that is not offset in a year prior to, or during which, an individual separates from University-paid service will be paid in a lump sum to the individual when his or her University-paid service ends. Such benefits, to the extent not offset, also will be paid out if a Senior Manager is granted a leave of absence without pay with no reappointment to the same position or appointment to another University position. A residual SMSPP benefit that has not been offset or paid out at the death of an individual will be paid in a lump sum to the deceased individual's statutory beneficiary.

Payment of the residual SMSPP benefit will be subject to federal and state withholding taxes. If an employee has Social Security coverage, contributions for Social Security will be deducted from the payment up to the Social Security wage base.

F. AUTHORITY

The Chancellor, Laboratory Director or Senior Vice President—Business and Finance, as appropriate, designates the fund source(s) that the campus or Laboratory, or Office of the President accounting office shall use to make contributions under the Supplemental Benefit Program and to pay an individual's residual SMSPP benefit. General Funds shall not be used for either type of benefit.

G. ASSIGNMENT

Neither the employee nor the beneficiary may assign or otherwise encumber an SMSPP benefit. Benefits provided under the RSP Plans are subject to the restrictions on alienation and assignment set forth in the plans.

H. LIMITATIONS

Except to the extent inconsistent with the terms of the Supplemental Benefit Program, any terms and conditions governing the benefit provided under the SMSPP in effect as of December 31, 2004 shall also govern the determination of an individual's benefit under the Supplemental Benefit Program.

(1) The RSP Plans include the University of California Defined Contribution Plan, the University of California Tax-Deferred 403(b) Plan, and the University of California 457(b) Deferred Compensation Plan.

(2) A Senior Manager who was in the Executive Program and who held a dual academic appointment as of June 30, 1996 shall continue participation in the Supplemental Benefit Program, provided that the Senior Manager is otherwise eligible pursuant to Section B.

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Last Modified Fri Jan 26 2007 08:31:24