
Policy Title: Incentive and Recognition Award Plans – Managers & Senior Professionals and Professional & Support Staff

Policy Number: Personnel Policies for Staff Members 34

Responsible Officer:	Vice President – Human Resources
Responsible Office:	Human Resources
Origination Date:	July 1, 1996
Date of this Revision	Click here to enter a date.
Scope:	Manager & Senior Professional and Professional & Support Staff employees. Incentive award plans that include Senior Management Group members are covered by the policy on <i>Senior Management Group Incentive Awards</i> (Regents Policy 7712). Lawrence Berkeley National Laboratory employees are not covered by this policy.

I. POLICY SUMMARY

This policy provides direction and authority for the development and approval of incentive award plans and recognition award plans under which Manager & Senior Professional (MSP) and Professional & Support Staff (PSS) employees may receive awards.¹ Incentive award plans that include Senior Management Group (SMG) members are covered by the policy on *Senior Management Group Incentive Awards* (Regents Policy 7712). If an MSP or PSS employee participates in an incentive award plan that includes SMG members, all aspects of the employee's participation in that incentive award plan will be governed by the *Senior Management Group Incentive Awards* policy.

Incentive awards are cash awards that are intended to motivate individuals or teams to produce results that have been pre-defined and communicated to the participants in advance in accordance with an incentive award plan, and to reward them for achieving the stated performance objectives. The incentive award is determined by a formula

¹ Exclusively represented employees' eligibility to receive awards under these plans depends on the collective bargaining process, and the terms of the applicable collective bargaining agreement and plan.

based on weightings of the objectives, as warranted, degree of accomplishment, and other factors. Plan performance objectives must require participants to stretch their performance beyond their normal duties and responsibilities so that the incentive award plan rewards achievement of stretch objectives.

Recognition awards are discretionary cash awards that are intended to recognize and reward excellence in University service, significant achievements and contributions, and outstanding individual and team performance. The amount of the recognition award is determined by the manager at his or her discretion, subject to local guidelines. (Non-cash awards and other gifts, including gift cards and gift certificates, are regulated under *UC Business and Finance Bulletin G-41*.)

II. DEFINITIONS

Exception to Policy: An action that exceeds what is allowable under current policy or that is not expressly provided for under any policy. Any such action must be treated as an exception and must be reviewed and approved by the Administrative Oversight Committee.

Executive Officer: The University President or Chancellor.

Incentive Award Plan Document: A document that provides specific details and definitions governing the administration of the incentive award plan, including but not limited to, the eligible population; the plan year; the award opportunity levels; the criteria for establishing the annual performance objectives for each participant; and the methodology for calculating award payouts.

Recognition Award Plan Document: A document that provides specific details and definitions governing the administration of the recognition award plan, including but not limited to, oversight, review, and approval; eligibility requirements; performance standards; award limits and restrictions; and conditions.

Top Business Officer: Executive Vice President–Business Operations for the Office of the President, Vice Chancellor for Administration, or the position responsible for the location’s financial reporting and payroll as designated by the Executive Officer.

III. POLICY TEXT

A. Incentive Award Plans

1. Incentive Award Plan Document

An incentive award plan must be documented and approved prior to implementation and communication. The incentive award plan document must be approved by the President.

The incentive award plan document defines the key terms, conditions, and design elements of the incentive award plan. The plan document will include the following elements:

- Plan purpose;
- Governance and oversight responsibilities;
- The process for plan approval and for making changes to the plan;
- The plan year (performance measurement period);
- Eligibility criteria, including a statement that SMG members are not eligible;
- Award opportunity levels (e.g., threshold, target, and maximum), when appropriate;
- The criteria for establishing the annual performance objectives for each participant and, when appropriate, the weightings to be given performance objectives;
- Funding and award formulas, if applicable;
- Whether awards for partial-year service will be allowed and, if so, what criteria will apply;
- The protocol for the review and approval of awards;
- The schedule for award payouts; and
- Any contingencies and administrative rules governing payouts, including any mechanism for deferral of award payouts.

Incentive awards are at risk, meaning that whether they are paid depends upon the plan participant's achievement of predetermined objectives. Awards must be variable and directly correlate to each participant's actual accomplishment of stated performance objectives. Award amounts should be appropriate for the level of each participant's performance and contribution. Incentive awards are not a means of providing additional pay for performing normal duties and responsibilities, as described in the participants' respective job descriptions. Nor are they meant to be a replacement or substitute for a merit, promotion, equity, or retention increase as described in *Personnel Policies for Staff Members 30 (Salary)*.

2. Incentive Award Plan Oversight, Review, and Approval

An independent Administrative Oversight Committee (AOC) will oversee the development, governance, interpretation, and annual review of each incentive award plan. The AOC is comprised of the following:

- Senior Management Advisory Committee
- Vice President–Human Resources
- Executive Director–Compensation Programs and Strategy

A newly created incentive award plan must be reviewed and approved by the President prior to implementation. The Senior Vice President–Chief Compliance and Audit Officer will assure that periodic auditing and monitoring will occur, as appropriate.

Once approved by the President, it is permissible for an incentive award plan to be implemented each year upon approval of the AOC if the plan is being implemented without changes.

If a plan has been approved as outlined above, and the AOC recommends substantive or material changes to the plan, the AOC will obtain the approval of the President before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material plan changes until after the end of the current plan year.

However, if changes are implemented during the plan year that would affect the award calculations, changes will only be applied prospectively to the remaining portion of the plan year.

Plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and then will be implemented by the AOC at an appropriate time.

All incentive award plans will be reviewed annually by the AOC, generally in the spring, but dependent upon the appropriate review/plan cycle so that new or revised plans are in effect at the commencement of the applicable plan year, which will be the performance measurement period.

3. Incentive Award Plan Administration

If a location has employees who are participants in an incentive award plan, the local Chief Human Resources Officer will be responsible for ensuring that the administration of the incentive award plan for those employees is consistent with the requirements of the incentive award plan.

An annual Terms and Conditions document will be provided to each employee who participates in an approved incentive award plan. The Terms and Conditions document will:

- State that the employee's participation is subject to the terms of the plan and provide access to the plan document;
- Identify the participant's individual performance objectives;
- Define the performance standards to be used to determine the level of performance achieved for each objective; and
- When appropriate, assign performance weightings to the participant's objectives.

The AOC will review and approve plan participants' performance objectives prior to the start of the plan year or as soon as possible after the beginning of the plan year. When appropriate, the AOC may delegate this responsibility to the Chief

Human Resources Officers, who will then be responsible for ensuring that the objectives are established in a timely manner for plan participants at their location and that they represent stretch objectives. The AOC will periodically request that the Senior Vice President–Chief Compliance and Audit Officer, in an independent advisory capacity, review a sampling of the plan participants’ objectives to ensure that objectives are being set appropriately.

The AOC also will review and approve all proposed awards. The AOC may consult the Senior Vice President–Chief Compliance and Audit Officer in an independent advisory capacity during its review of plan participants’ objectives and award recommendations.

The Executive Director–Compensation Programs and Strategy will provide the President with an analysis of the award recommendations before the awards are scheduled to be paid. The awards will be reported annually to the President.

The assigned Description of Service (DOS) code specific to a particular incentive award plan must be used when paying awards to employees under that plan. Using a DOS code assigned to an incentive award plan for any other purpose is strictly prohibited.

4. Incentive Award Plan Conditions

Incentive award plans may be terminated or replaced at any time for any reason by the President. Reasonable efforts, given all circumstances, will be made to delay plan termination until after the current plan year has concluded.

The President may defer payments from an incentive award plan for reasons specified in the applicable Plan Document. Once the contingency has been resolved, awards deferred for that reason will be processed as soon as possible thereafter.

A participant who has been found to have committed a serious violation of state or federal law or a serious violation of University policy at any time prior to the distribution of an incentive award will not be eligible to receive an incentive award for the plan year.

Repayment may be required of an incentive award that was made as a result of inappropriate circumstances.

Awards may not be promised or guaranteed in advance. Awards must be determined based on the participants’ actual performance relative to the objectives assigned to them at the beginning of the plan year.

Participation in an incentive award plan in any one year does not provide a right or guarantee of eligibility or participation in any subsequent year.

Participants in an incentive award plan may not participate in any other University incentive award plan, except in the event of a mid-year transfer within the University. (For example, if a plan participant is eligible for only a partial year award under a plan because a mid-year transfer of position renders him or her eligible for plan participation for only a portion of the plan year, he or she may participate in a different University plan for the other portion of the plan year.)

Concurrent participation in more than one incentive award plan is not permitted. Participants in an incentive award plan may also be eligible to participate in a University recognition award plan if not prohibited by the particular incentive or recognition award plan.

B. Recognition Award Plans

1. Recognition Award Plan Document

A recognition award plan must be documented and approved prior to implementation and communication. The recognition award plan document must be approved by the President.

The recognition award plan document sets forth the requirements governing recognition awards, and will include the following elements:

- Plan purpose;
- Governance and oversight responsibilities;
- The process for plan approval and making changes to the plan;
- The plan year;
- Eligibility criteria, including a statement that SMG members are not eligible;
- Performance standards;
- Award limits and restrictions;
- Funding;
- The protocol for the nomination, review, and approval of awards; and
- Any contingencies and administrative rules governing payouts, including any mechanism for deferral of award payouts.

2. Recognition Award Plan Oversight, Review, and Approval

An independent Administrative Oversight Committee (AOC) will oversee the development, governance, interpretation, and annual review of each recognition award plan. The AOC is comprised of the following:

- Senior Management Advisory Committee
- Vice President–Human Resources
- Executive Director–Compensation Programs and Strategy

A newly created recognition award plan must be reviewed and approved by the President prior to implementation. The plan is then subject to annual review by the AOC. If no substantive or material changes are recommended, it is permissible for the plan to be implemented each year upon approval of the AOC.

The Senior Vice President–Chief Compliance and Audit Officer will assure that periodic auditing and monitoring will occur, as appropriate.

If substantive or material changes are recommended, the AOC will obtain approval of the President before implementing such changes. Reasonable efforts, given all circumstances, will be made to delay implementing substantive or material changes until after the end of the current plan year.

Recognition award plan changes recommended by the AOC that are not material or substantive, or are deemed to be technical corrections, may be approved by the AOC after consultation with the President and then will be implemented by the AOC at an appropriate time.

All recognition award plans will be reviewed annually by the AOC, generally in the spring, but dependent upon the appropriate review/plan cycle so that new or revised plans are in effect at the commencement of the applicable plan year.

3. Recognition Award Plan Administration

The assigned Description of Service (DOS) code specific to a particular recognition award plan must be used when paying awards to employees under that plan. Using a DOS code assigned to a recognition award plan for any other purpose is strictly prohibited.

If a recognition award plan is implemented at a particular location, the local Chief Human Resources Officer will be responsible for ensuring that the administration of the recognition award plan at that location is consistent with the requirements of the recognition award plan.

4. Recognition Award Plan Conditions

Recognition awards are strictly discretionary and may not be promised or guaranteed in advance.

“Across the board” type recognition awards, such as awards to a category of employees without regard to a recipient’s performance or relative contribution, are not allowed. Awards must be based on the recipient’s achievement as an individual or as part of a team.

Recognition award plans may be terminated or replaced at any time for any reason by the President. Reasonable efforts, given all circumstances, will be made to delay plan termination until after the current plan year has concluded.

The President may defer payments from a recognition award plan for reasons specified in the applicable Plan Document. Once the contingency has been resolved, awards deferred for that reason will be processed as soon as possible thereafter.

A participant who has been found to have committed a serious violation of state or federal law or a serious violation of University policy at any time prior to the distribution of a recognition award will not be eligible to receive a recognition award for the plan year.

Repayment may be required of a recognition award that was made as a result of inappropriate circumstances.

An employee may not receive an award under a recognition award plan if the employee is a participant in an incentive award plan that prohibits the receipt of a recognition award.

Receipt of an award under a recognition award plan in any one year does not provide a right or guarantee of eligibility for an award in any subsequent year.

C. Funding

Funding for incentive or recognition awards is provided by local resources.

D. Treatment for Benefit Purposes

Incentive or recognition awards under this policy are not considered to be compensation for University benefit purposes, such as the University of California Retirement Plan or employee life insurance programs.

E. Tax Treatment and Reporting

Under Internal Revenue Service Regulations, payment of incentive or recognition awards must be included in the employee's income as wages subject to withholding for federal and state income taxes and applicable FICA taxes. The payment is reportable on the employee's Form W-2 in the year paid.

IV. RESPONSIBILITIES

A. Implementation of the Policy

The Vice President–Human Resources is the Responsible Officer for this policy and has the authority to implement the policy. The Responsible Officer may apply appropriate interpretations to clarify policy provided that the interpretations do not result in substantive changes to the underlying policy. The Executive Officer is authorized to establish and is responsible for local procedures necessary to implement the policy.

B. Revisions to the Policy

The President is the Policy Approver for this policy and has the authority to approve any policy revisions.

The Vice President–Human Resources has the authority to initiate revisions to the policy consistent with approval authorities and applicable *Bylaws* and *Standing Orders* of the Regents.

The Executive Vice President–Business Operations has the authority to ensure that policies are regularly reviewed and updated, and are consistent with governance policies.

C. Approval of Actions

Authority to approve incentive award plans and individual incentive awards is described in Section III.A.2. of this policy. Authority to approve recognition award plans and individual recognition awards is described in Section III.B.2. of this policy.

All actions that exceed this policy, or that are not expressly provided for under any policy, must be approved by the Administrative Oversight Committee.

D. Compliance with the Policy

The following roles are designated at each location to implement compliance monitoring responsibility for this policy:

The Top Business Officer and/or the Executive Officer at each location will designate the local management office to be responsible for the ongoing reporting of policy compliance, including creating specified regular compliance reports for review by the location's Top Business Officer.

The Executive Officer is accountable for monitoring and enforcing compliance mechanisms and ensuring that monitoring procedures and reporting capabilities are established.

The Vice President–Human Resources is accountable for reviewing the administration of this policy. The Senior Vice President–Chief Compliance and Audit Officer will periodically audit and monitor compliance with this policy.

E. Noncompliance with the Policy

Noncompliance with the policy is handled in accordance with the Regents' *Guidelines for Corrective Actions Related to Compensation Practices* and *Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews*, as well as *Personnel Policies for Staff Members (PPSM) 62, 63, 64, 65 and 67* pertaining to disciplinary and separation actions.

V. PROCEDURES

The Responsible Officer may develop procedures or other supplementary information to support the implementation of this policy. Such supporting documentation does not require approval by the President.

VI. Contacts

Subject	Contact	Phone	Email
Policy	Rachael Howard	510-987-9859	Rachael.Howard@ucop.edu

VII. RELATED INFORMATION

- *Senior Management Group Incentive Awards (Regents Policy 7712)* (referenced in Scope and Section I. of this policy)
- *UC Business and Finance Bulletin G-41* (referenced in Section I. of this policy)

- Personnel Policies for Staff Members 30 (Salary) (referenced in Section III.A. of this policy)
- Guidelines for Corrective Actions Related to Compensation Practices (referenced in Section IV.E. of this policy)
- Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews (referenced in Section IV.E. of this policy)
- Personnel Policies for Staff Members (PPSM) 62, 63, 64, 65 and 67 (referenced in Section IV.E. of this policy)

VIII. REVISION HISTORY

As a result of the issuance of this policy, the following policy is rescinded as of the effective date of this policy and is no longer applicable:

- *Personnel Policies for Staff Members 34 (Incentive Awards)*, dated July 1, 1996