Retention Lump Sum Guidelines

A. UC San Diego Retention Lump Sum Guidelines

A retention Lump Sum payment is a lump sum payment outside of an employee's regular salary. A Retention Lump Sum payment is offered as an incentive to:

- Retain a key employee with UC San Diego to meet critical business needs. Retention Lump Sum payments cannot be used to prevent employees from taking another position within UC San Diego (Campus and Health).
- Encourage the employee to stay in their current position.
- Keep an employee from leaving their position for a specific amount of time.

A Retention Lump Sum payment is non-base building and can be used when an equity increase is not appropriate or is insufficient to retain the employee. To offer a Retention Lump Sum payment, the supervisor should consult with the Campus Human Resources (HR) Compensation Analyst for their area to document the business justification for the Retention Lump Sum. The business justification and Retention Lump Sum amount should be consistent with local guidelines. Approval from the Chief Human Resources Officer (CHRO) and UC Office of the President (UCOP) are required for all Retention Lump Sum payments.

1) **Who Is Covered:**

- Policy covered career and contract Professionals and Support Staff (PSS) and Managers and Senior Professionals (MSP) employees.
- Senior Management Group (SMG) Employees may also receive a retention lump sum. Approval should go through your SMG Coordinator/UCOP.

2) **Definitions:**

- *Equity Increase*: A pay increase made to appropriately align an employee’s base salary with the level of compensation provided to internal or external comparators.
- *Probationary Employee*: An employee in a career position who has not completed their probationary period.
- *Retention Lump Sum*: A non-base building payment outside of an employee’s regular salary used to retain an employee in their current position, in some cases, for a specified amount of time.
- *Retention Period*: Depending on circumstance and as outlined in the Retention Lump Sum Agreement, for a period of time up to one year, that an employee must remain in their current position to meet the terms of the Retention Lump Sum Agreement.

3) **Eligibility**

To be eligible for a Retention Lump Sum payment, an employee must meet all the following eligibility conditions:

a) Policy covered career and contract employees.

b) Solid performance (S) or better on the most recent performance appraisal.

   i. If no appraisal has been provided, the supervisor must document that the employee would receive an S or better if rated at the time of the request for a Retention Lump Sum payment.

c) Probationary period completed, if applicable.

4) **Retention Lump Sum Amounts**

An equity increase should be considered before requesting a Retention Lump Sum. The maximum amount of a Retention Lump Sum is 10% of an employee’s base salary. In rare cases, an employee may receive both a retention equity increase and a Retention Lump Sum payment. In this situation, the equity increase is applied first, and the Retention Lump Sum payment of up to 10% applies to the new base salary.

If the employee meets the eligibility criteria, management should consider the following when determining the amount of the Retention Lump Sum:

a) Competing offers under consideration by the employee;

b) Market prevalence for these types of lump sums/bonuses within specific occupations;

c) Compensation (e.g., deferred compensation, annual incentive) or the work environment the employee may be gaining for accepting a competitive offer;
d) Other relevant factors implicating the need for a Retention Lump Sum (e.g., the criticality of retaining the employee due to unique skills and abilities and the value they bring to the organization).

5) Payment Provisions
Granting a Retention Lump Sum is at the sole discretion of the University. Before offering a Retention Lump Sum, the employing department must confirm the availability of funds and that the employee meets the eligibility criteria. A Retention Lump Sum amount granted along with payment and repayment provisions shall be detailed in the employee’s Retention Lump Sum Agreement. By signing such an agreement, the employee agrees to all payment and repayment provisions. The Retention Lump Sum payments are payable in either one lump sum payment (e.g., within 30 days) or two installment payments spread over a period of up to one year. If a recipient separates from UC San Diego, all future installment payments will be forfeited. If a lump sum payment is provided, repayment provisions outlined in this document apply.

6) Repayment Provisions
1. The employee’s Retention Lump Sum Agreement shall contain the specific details of the repayment provisions, including the period of service that must be completed and the percentage of the actual amount of repayment required if separation occurs before the completion of the period of service.
2. If the employee receives a Retention Lump Sum and separates from UC San Diego before completing the agreed-upon period of service (as described in the Retention Lump Sum Agreement), the employee will be required to make repayments following the Retention Lump Sum Agreement.
3. Any unpaid Retention Lump Sum amounts are forfeited at separation from employment.
4. Typically, a Retention Lump Sum greater than or equal to $10,000 would be divided into two installment payments subject to the Retention Lump Sum Agreement provisions.

7) Funding Sources
Retention Lump Sum payments, if approved, are funded by the department.

8) Treatment for Benefit Purposes
Retention Lump Sum amounts are not considered compensation for University benefit purposes, such as the University of California Retirement Plan, Retirement Savings Program, or employee life insurance programs.

9) Tax Treatment and Reporting
Under Internal Revenue Service Regulations, payment of a Retention Lump Sum must be included in the employee’s income as wages subject to withholding in the year paid 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.

B. Process:

1) The supervisor of the employee should discuss with the Department HR Contact, and follow respective VC area process.
2) Once the Retention Lump Sum request is endorsed at the VC level, the HR Contact connects with Campus HR Compensation.
3) The approval process starts with Campus HR Compensation:
   (1) UC San Diego Campus HR Compensation,
   (2) UC San Diego Campus Chief Human Resources Officer,
   (3) UC Office of the President Director, Staff Compensation,
   (4) UC Office of the President VP Human Resources.
4) Campus HR Compensation to communicate the final decision to the department/VC Office/Campus HR Labor Relations.
5) Campus HR Compensation to draft retention lump sum agreement and share it with the department.
6) Department to update UC Path and schedule payments.
   a. Earn code for Retention Lump Sum is “RPY.”
7) Department to notify the employee.
8) For SMG employees, HR Contact should reach out to SMG Coordinator.