

## University of Michigan Total Compensation Philosophy and Guiding Principles

The University of Michigan provides direct compensation, benefits and career-related investments that:

- Attract, retain, reward and motivate the productivity and commitment of highly qualified, diverse faculty and staff.
- Provide flexibility appropriate to the dynamic challenges facing the University and to differences across the schools, colleges and campuses.
- Help the University compete successfully for employees with the mix of disciplines and skills vital to its missions.
- Set pay in consideration of similar educational, research, and service organizations and recruiting markets while also within the University's resources.
- Are tax-effective for employees while meeting all legal, contractual, and compliance requirements.
- Are fiscally responsible.

The University of Michigan is committed to manage pay, benefits, and career-related services in a way that:

- Provides employees with accurate information in a timely way.
- Is helpful, efficient and effective.
- Respects employee confidentiality.
- Is decentralized.
- Meets the highest standards of integrity.
- *Puts decision making responsibility in the hands of employees to choose appropriate benefits and services for their own situation and needs.*

Total compensation is the sum of salary and benefits programs. Therefore a Total Compensation philosophy requires definition at two additional levels: compensation philosophy and benefits philosophy.

### Compensation Philosophy

The University of Michigan pays employees in ways that reward contribution, recognize quality performance, and encourage growth and development.

Principles of the compensation philosophy include:

- Pay is designed to recruit and retain excellent faculty and staff.
- We reward excellent performance at all levels.
- Pay reflects the contribution, content, and complexity of the work.
- Periodic increases in salaries are primarily based on judgments of merit, guided by regular appraisal of individual work performance.

## Compensation Philosophy (contd.)

- We recognize University service when it is a contributing factor to performance effectiveness.
- We recognize market pressures in designing pay practices. Both internal and external competition are recognized factors.
- We do not practice, or tolerate, unlawful discrimination in pay.
- For most units, base pay is the primary way in which we offer compensation. Base and variable pay may be combined to meet the needs and circumstances of individual units.
- Primary responsibility for determining pay rests at the local unit. Central oversight is practiced to assure that pay practices are legal, consistent across the University, and financially responsible.

## Benefits Philosophy

The University of Michigan designs and delivers an array of benefits to provide employees and retirees with health, retirement, and other work-related benefits to address their differing needs. The University does so in the belief that a healthy and secure faculty and staff are best able to contribute to the accomplishment of the University's mission. ***The University expects employees to be informed about their benefits, to make benefits choices wisely, and to understand and accept the implications of their choices.***

Guiding principles of the benefits philosophy include the following:

- We offer flexible options for employees and retirees to choose the benefits that best meet their needs and preferences and are responsive to their own life events.
- Our benefits are competitive with benefits ***offered*** by similar employers.
- Benefits are paid for by a combination of employee or retiree contributions and University contributions, in a way that supports mutual fiscal responsibility.
- When legally possible and fiscally prudent, the University will design benefits that enable employees to take advantage of tax-related savings.
- We provide information and counseling to help employees make educated choices about their benefits.

***The University of Michigan is committed to providing a set of core benefits including health care and drug insurance and retirement support. For the most part, the costs of these core benefits should be shared between the University and the employee and retiree. When employees or retirees choose to include dependents in their insurance coverage, the individual is expected to contribute the major cost for that additional coverage.***

***The University offers additional benefits of high value to many employees, such as dental or long-term disability insurance. Employees electing those plans or programs will contribute a greater share of associated costs than those electing only the core***

## **Compensation Philosophy (contd.)**

***benefit plans. In these cases, the university may make contributions to offset costs, but the employee or retiree contributes the majority of the cost of coverage.***

The University may also offer benefits, such as legal assistance, when it is able to leverage the size of the university's employee population to provide savings for employees. The employee will contribute the full cost for voluntary participation in these supplementary benefit programs.

***Market considerations, fiscal prudence, or regulatory demands may cause the University to change its compensation and benefits practices. Employees should be aware that their benefits may change over time as a result of University policy decisions.***