



Agenda Item # 15 C
3/12/08 ICOC Meeting

CIRM Employment and Total Compensation Philosophy

The California Institute for Regenerative medicine (CIRM) was established in 2004 with the passage of Proposition 71, the California Stem Cell Research and Cures Initiative. The statewide ballot measure, which provided \$3 billion in funding for stem cell research at California universities and research institutions, called for the establishment of an entity to make grants and provide loans for stem cell research, research facilities, and other vital research opportunities. The Institute's mission is to support and advance stem cell research and regenerative medicine under the highest ethical and medical standards for the discovery and development of cures, therapies, diagnostics and research technologies to relieve human suffering from chronic disease and injury.

For CIRM to be successful, the Institute needs to hire and retain an exceptional group of employees to carry out both its scientific and administrative functions. Given the controversial nature of CIRM's mandate among a significant portion of the population, CIRM is also under an unusually high degree of public scrutiny, which increases the daily pressure under which employees function. For these and additional reasons summarized below, CIRM recognizes the need for exceptional employment benefits to create a high level of satisfaction and to retain employees who are essential for the Institute's success.

Towards these ends, we have based our compensation policy on the following key principles:

- CIRM relies on its total compensation structure to offer employee career growth and pay opportunities. A competitive compensation program enhances our ability to attract, retain, and motivate a diverse group of talented individuals.
- CIRM is responsible for the distribution of \$3 billion in funds, but, by law, the Institute can employ no more than 50 people to ensure that funds flow towards research, not administration. Therefore, the expectations of productivity on all CIRM employees are high. As a result, CIRM seeks to hire and develop staff members who are flexible, motivated, and intellectually capable of transferring skills in ways that support CIRM's overall operating goals. The bench-marked job descriptors that pertain to larger organizations may not be suitable for describing positions within CIRM.
- The law that created CIRM requires it to use two specific benchmarks to establish base pay, medical schools within the University of California system, and private research institutes that receive and administer large grants and are involved in stem cell research. CIRM assesses these comparators biannually or as needed when new jobs are identified within the organization. For purposes of comparison, CIRM also looks at non-profits and/or California health science organizations to establish an appropriate metric. For new positions, salary levels will be evaluated based on duties and responsibilities, reporting relationships, equity within the organization, and available market data.



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- CIRM targets base salary compensation to meet the 80th percentile for comparable positions in other organizations. Staff who exceeds the established job criteria because of experience or additional training and education may be targeted above the 80th percentile.
- Key positions within the organization that present particular recruitment or retention needs and challenges may also require base salaries above the 80th percentile.
- Furthermore, CIRM recognizes recruiting and retention challenges that are unique to CIRM and that reduce the pool of talent available to the Institute. These include:
 - CIRM's inability to offer tenured positions to any of its employees. All CIRM staff are at-will employees and can be terminated at the discretion of the President, which is a strength of the Institute but a liability for individual employees.
 - CIRM's anticipated life-span is 10-14 years, which rules out the possibility of a long-term career track that is available for many civil service positions in the UC system.
 - Due to CIRM's projected limited life span, the Defined Benefit Plan (a traditional pension plan) is not perceived to be of significant value by staff members who will presumably have left the organization by the time they reach retirement age.
 - The Defined Benefit Plan dictates a five-year vesting schedule, which is unattractive if the employee is with CIRM for a limited time period.
 - CIRM has a defined contribution plan (e.g. 401K & 457) not supplemented with employer contributions.
 - CIRM's Conflict of Interest policy limits an employee's ability to engage in outside opportunities to earn additional income through consulting and/or holding investments in organizations that can benefit from CIRM's programs, including a requirement that employees divest themselves of any investment in a company that devotes more than 5% of its research budget to stem cell research.
 - CIRM, unlike many of CIRM's academic competitors, does not offer housing allowances, which is a significant challenge when relocating prospective staff to the Bay Area with its high cost of real estate and living.
 - CIRM does not provide a long-term career path or advancement for staff within CIRM due to the limited number of positions defined by law to be within CIRM's structure.
 - Given our statutory inability to recruit a large number of new staff, CIRM employees need to be flexible and willing to transfer skills to support CIRM's overall operating goals, which may go beyond bench-marked job descriptors gained from larger established institutions.



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- Staff members need to be willing to be cross-trained as CIRM's needs develop.
- As part of their job descriptions, CIRM employees need to be able to work "out of the box" in that they are to interact with institutions around the world to ensure positive international relations.

For all these reasons, CIRM employees must be intelligent, entrepreneurial, motivated, flexible, confident in their own abilities, and committed to stem cell science. To retain this special level of employee, CIRM's employment policy must reflect and reward the uniqueness of a CIRM employee.

Towards that end, CIRM has established a salary administration practice that is based on rewarding employees for merit and performance. The elements of that policy include:

1. An annual merit funding pool of 0-5% for salary levels 1-9. A COLA (Cost of Living Adjustment) based on the Consumer Price Index-California (San Francisco Oakland San Jose) for salary levels 1-9 may be offered annually and will be effective as of July 1 of each fiscal year. A merit non-base building lump sum increase may be implemented in lieu of a merit base building increase.
2. The President setting the salary for all employees, except the Chairperson and Vice-Chairperson of the ICOC, within the range for each salary level established and approved by the ICOC pursuant to section 125290.45(b)(4) of the Health and Safety Code, with two exceptions:
 - for new employees and reclassified employees in levels 6 through 10, the President shall obtain the approval of the Governance Subcommittee in order to set the salary in an amount that is 80 percent or higher than the minimum salary for that level; and
 - for employees in all levels, the President shall obtain the approval of the ICOC in order to set the salary in an amount that would exceed the maximum salary for that level.

In summary, CIRM is an unusual California institution for it has a limited organizational life span, a staff whose size is regulated by law, a mission that is controversial to some and life saving to others, a special susceptibility to public scrutiny and controversy, and a world wide visibility and purview. Consequently, CIRM's staff members need to be committed, talented, flexible, resilient, visionary, and willing to eschew the financial benefits that help retain employees in more stable and long-term organizations. CIRM needs to reward their courage and dedication by providing employment conditions that reflect these realities.



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