

SALARY ADMINISTRATION

APM - 670

Health Sciences Compensation Plan and
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establishment of Good Standing Criteria, Academic Programmatic Unit (APU) assignments, and APU Scales. (See APM – 670-18-b for more information on APUs.)

- 2) Departmental Implementing Procedures including methods for obtaining faculty input and for determining consistency with school Implementing Procedures.
- 3) Review of potential conflicts between a Plan participant's commitment to generating revenue within the Plan and his or her outside professional activities.(See APM - 670-19-c)
- 4) Review of faculty appeals regarding implementing and administering the Plan that are not resolved at the department or school levels or are submitted to the Advisory Committee as a result of a determination of loss of Good Standing. Senate faculty members may pursue their grievance rights before the Privilege and Tenure Committee under Senate Bylaw 335. Non-Senate faculty may request a hearing under the terms of APM - 140.

The Advisory Committee will provide an annual summary report on its activities to Plan participants, the Dean, and the Chancellor.

670-10 Standards/Criteria/Qualifications

Good Standing Criteria

- a. Written Good Standing Criteria shall be established at the School or Department level and shall be included in the school Implementing Procedures. Good Standing Criteria must include: 1) a definition of Good Standing, 2) a description of the administrative review process that occurs when a member is determined to be out of Good Standing, 3) consequences for not being in Good Standing, and 4) the process by which a faculty member may return to Good Standing. (See role of the Advisory Committee in APM - 670-6-d-1.)
- b. Health sciences research and clinical practice are characterized by considerable diversity in sources of funding and are dependent on revenue streams that can be interrupted due to external circumstances, sometimes beyond the control of faculty. In support of the health sciences school's central function, a major responsibility of the Administration is to provide the faculty with conditions hospitable to the pursuits of teaching, research/scholarship, clinical care, and University and public service. The faculty member is responsible for performing the duties assigned at the time of hire, as well as reasonable new duties assigned by the department.

Good Standing Criteria for health sciences faculty will include expectations related to their academic series, departmental expectations related to service, and expectations related to generation of salary support and to shared expenses.

Plan participants must satisfy the Good Standing Criteria in order to be allowed to earn and/or retain income from professional, non-clinical activities. Good Standing Criteria might include, for example, keeping appropriate licensure and clinical privileges current, or meeting requirements for clinical coverage, teaching obligations, participation in departmental activities, or revenue generation. A pathway to return to Good Standing, should it be lost, must be defined. Prior to implementing or revising Good Standing Criteria, affected Plan participants and the Advisory Committee representatives shall be provided the opportunity to review and comment on the proposed criteria.

All members of the Health Sciences Compensation Plan should be deemed to be in Good Standing until they encounter some circumstance in which their capacity to earn income is impaired. A faculty member may fail to be in Good Standing only for conduct which significantly and negatively impacts the health sciences school's central functions of teaching, research/scholarship, clinical care, and University and public service. Reasons for loss of Good Standing might include,

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for example, a negative five-year review, instances of misconduct, inability to participate in the generation of salary, refusal to participate in assigned duties, failure to participate in mandatory training, loss of clinical privileges, or loss of licensure and/or credentials.

A determination that a faculty member is not in Good Standing may affect the amount of negotiated additional compensation [Y; see APM - 670-18-c(1)] and/or Incentive/Bonus compensation [Z; see APM - 670-18-c(2)] that the faculty member may earn. If a faculty member is unable to practice at a specific site due to revocation of clinical privileges, for example, that faculty member must be willing to undertake new duties as assigned, or otherwise must forfeit the compensation from that assignment. Faculty who are not in Good Standing must obtain advance approval from the Department Chair to engage in any unassigned professional activities. If approved, the income from all such approved activities shall accrue to the Plan and not to the faculty member.

Exceptions may be approved in writing in accordance with school Implementing Procedures. A determination that a faculty member is not in Good Standing must be approved by the Dean, and any faculty member who is found not in Good Standing shall be notified in writing by the Department Chair of the reasons for that determination and what steps must be taken in order to return to Good Standing. A faculty member who believes that Good Standing Criteria have been applied unfairly may appeal to the Advisory Committee (described in APM - 670-6-d) in accordance with school Implementing Procedures.

670-14 Eligibility

III. Membership in the Health Sciences Compensation Plan

a.A. Membership Requirements

Individuals in health sciences schools, disciplines or specialties that have been approved for participation in this Plan shall be members of this Plan if they hold a University appointment at greater than 50 percent of full time, funded by one or more of the participating health sciences units, in any of the following title series:

- 1) Professor
- 2) Professor In Residence
- 3) Professor of Clinical _____ (e.g., Medicine)

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- ~~4)~~ Adjunct Professor
- ~~5)~~ Acting Professor
- ~~6.~~ ~~Clinical Professor~~
- ~~6)7.~~ Visiting Professor
- 7) Health Sciences Clinical Professor
- ~~8)~~ Health Sciences School Dean titles-
- 9) Any other title series approved for membership in this Plan by the President or the President's designee-

A member of the faculty who was appointed in a health sciences school at the time of their retirement may be recalled to participate in the Health Sciences Compensation Plan yet may not exceed a maximum total per each month of 43 percent of full time. Please refer to APM – 205, Recall for Academic Appointees for terms and conditions for Plan membership for recall appointees. All other faculty participating in the Plan must hold appointments greater than 50 percent of full time.

Deans and other faculty administrators in Plan schools shall be members of the Plan if they hold an underlying Health Sciences Compensation Plan faculty title; however, salary and reporting requirements are defined by the personnel policies governing the administrative appointments.

Membership in the Plan is a term and condition of employment. All new and continuing eligible Plan members shall receive a copy of this Plan document, the ~~campus~~ school Implementing Procedures and any related school or Departmental Guidelines setting forth ~~Regental~~, campus, and departmental policy applicable to faculty covered by the Plan.

Membership in the Plan shall continue while the Plan continues to be in effect. Separation from an eligible appointment will terminate membership in the Plan.

Faculty holding any of the titles 1 through 9 above with an appointment in more than one department will participate in the Plan if their appointment is more than 50 percent in a department participating in the Plan and funded by one or more of

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the participating health sciences units. If included in the Plan, they will be subject to continued membership and to all requirements of the Plan. Determination of and responsibility for the faculty member's salary must be jointly agreed to in writing by the Chairs of the affected Departments and approved annually by the Dean(s). The Departments participating in the Plan are responsible for administering compensation including health and welfare benefits.

b)B. Exceptions to Membership Requirements

As specified at Section II.B, the President The Chancellor may approve exceptions to membership requirements in individual circumstances to meet special teaching, research, clinical care, or University and public service requirements.

The President Chancellor shall review and has authority is authorized to approve specific provisions in campus procedures, and requests by Chancellors Deans in specific cases, for inclusion in the Plan of individuals in a health sciences school whose appointments are in the series listed in Section III.A, APM – 670-14-a, regardless of percentage of time appointment.

670-18 Salary

IV. Compensation

The Income Limitation Arrangement is not an option for compensation of health sciences faculty except as provided in Appendix A. No single member professional corporations, or any other form of professional corporation, partnership or other entity(s) for the provision of professional health care shall be permitted for faculty under the Plan without the express written approval of the President.

a.A. Total Compensation

Faculty members participating in this Plan shall:

- 1) receive base salary as described in Section bB, below;
- 2) be eligible for optional additional compensation as described in Section cC, below;
- 3) be permitted to retain the other miscellaneous income as described in Section D, below. APM – 670-19;

Payment under the Health Sciences Compensation Plan will be made directly to

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- 4) ~~Honoraria, defined as payments by agencies outside the University for occasional lectures and similar public appearances beyond normal academic responsibilities to the University of California and which are not in return for other services, whether given directly or indirectly;~~
- 5) ~~University honoraria, defined as payment for occasional lectures or similar services performed on a University of California campus as permitted by Academic Personnel Policy;~~
6. ~~Administrative stipends, defined as payments by the University for responsibilities related to University administration beyond normal academic responsibilities.~~
- 6) ~~Income from a profession or activity unrelated to the training and experience which is the individual's qualification for University appointment as determined by the Department Chairperson in consultation with the Dean.~~

c. **Complaints and Appeals**

A faculty member who has a complaint about an issue related to outside professional activities should first try to resolve the issue at the departmental level. If the complaint cannot be resolved through discussions, the faculty member's complaint and the Department Chair's response should be documented. If the faculty member disagrees with the departmental decision, s/he should file a formal complaint with the Dean. The Dean will charge the Advisory Committee with fact-finding. Both the Chair or the Chair's designee and the faculty member will have the right to be heard by the Committee. The Committee will issue a formal recommendation for resolution to the Dean. The Dean makes the decision based on this recommendation. Senate faculty may pursue their grievance rights under the terms of Senate Bylaw 335. Non-Senate faculty may request a hearing under the terms of APM - 140.

670-20 Use/Terms of Employment/Conditions of Employment

V. Benefits

No campus may offer faculty benefits beyond those which have been approved by The Regents. All benefits shall be provided in accordance with policies and/or guidelines issued or approved by the Office of the President. Each ~~h~~Health ~~s~~Sciences ~~s~~School and respective ~~a~~Accounting ~~o~~Office shall develop and provide a funding mechanism for support of all benefits made available under the provisions of this

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Plan, and this mechanism shall be included in the school Implementing campus
Procedures established for administration of the Plan.

All such benefits as described below and in related policies shall be provided
uniformly within departments or divisions, as reviewed by their participants and as
approved by the Dean.

aA. Base Salary-Related Benefits

Base salary-related benefits are associated with an individual's salary from one of the Health Sciences Salary Scales. These benefits include participation in the UCRP, health care benefits, insurance, disability benefits, insurance, regular term life coverage insurance, and other benefits as may be approved by The Regents. Base salary-related benefits will be made available to faculty members who are members of this Plan on the same basis as to all other members of the University faculty.

b.B. Optional Benefits on Additional Compensation

The Regents have authorized disability and life insurance ~~some~~ benefit programs related to health sciences additional compensation beyond the base salary.:

~~1. Disability and life insurance programs~~

~~These programs must be approved by the Office of Employee Benefits/Human Resources, Office of the President. Policies governing optional disability and life insurance programs on additional compensation are available from that office.
the Office of Employee Benefits/Human Resources, Office of the President.~~

~~2. Health Sciences Severance Pay Plan (HSSPP)~~

~~Presidential Guidelines for the Health Sciences Severance Pay Plan are available from the Office of the Provost and Senior Vice President—
Academic Affairs.—~~

c.C. Paid Leave

Plan members who are eligible for sabbatical leave, leave with salary, or extended illness leave vacation leave, or who are granted sick leave (including
parental leave) may be granted such leave paid at least at the Health Sciences
Scales Base Salary rate (X, X') or total negotiated salary rate as set forth in local Implementing Procedures. A Plan member who leaves University service or
transfers from a vacation-accruing title to a non-accruing title shall be paid for
accrued vacation at the Plan member's total negotiated salary rate at the time of
separation.

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With the exception of the two provisions below, or where explicitly stated in policy, members of the Plan are eligible for leaves as defined in APM - 710 - 760. Schools or departments that include provisions in Implementing Procedures for leaves shall clearly define the rate of pay, i.e. whether any additional leave will be paid more than the minimum base salary rate. In the absence of specific Implementing Procedures, the leave provisions as described in APM - 710 - 760 will be used.

~~All such benefits as described above shall be provided uniformly within campus departments, divisions, or academic programmatic units as approved by the Dean.~~

1) Extended Illness

Members of the Plan who are appointed full-time to at least a twelve-month term who are unable to work for reasons of extended personal illness, injury, or disability shall be granted paid medical leave of a minimum of six (6) weeks of consecutive or intermittent paid medical leave at the approved base salary. Any additional compensation under the HSCP shall be paid in accordance with campus policies.

- a) Extended illness leave may not exceed the maximum time period allowable under APM - 710-11-a and b.
- b) Authority to review and approve requests for extended illness leave rests with the Chancellor. This authority may be redelegated.

2) Childbearing and Childrearing

Childbearing and childrearing leaves shall be approved consistent with APM - 760-25. In no case shall childbearing and childrearing leave be less than the minimum time period or base salary rate of pay as allotted under APM - 760-25b.

670-22 Funds

The management and reporting of professional services income and expenses under this Plan must be consistent with campus accounting and budgeting methods as outlined in Appendix C of this policy.

~~VI. Campus Accounting and Budgeting Methods~~

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A. Management and Reporting of Professional Services Income and Expenses

1. University Management

~~All professional services income generated by Compensation Plan members shall be managed by, accounted for and reported as revenue of the University; the only exception to this requirement shall be income which the Plan participant is allowed to retain in accordance with Section IV.D. All compensation paid by the University to Plan members will be subject to Federal and State withholding and reported on a W-2 form as wages. Campus procedures shall include billing and accounting procedures necessary to assure accountability for all funds. All financial transactions shall be approved, documented, and otherwise processed or executed in accordance with University policies, procedures and delegations of authority.~~

~~a) Professional fee billing and collection activities shall be conducted by University billing groups, by external vendors with which the University has contracted, or as otherwise permitted by University procedures. All such fees shall be deposited upon receipt by the University or by an external vendor in a University bank account established in accordance with University delegations of authority.~~

~~b) Contracts with external billing vendors shall be processed and executed in accordance with delegated authority and University purchasing policies and procedures. They shall contain standard University approved clauses, be subject to audit, and provide for monthly transmission of billings and receipt information to the University. Specific Universitywide regulations may be developed for such contracts as needed to assure that funds are accounted for, safeguarded, and appropriately managed.~~

2. Reports

~~The accounting standards specified in the University of California Accounting Manual must be used in reporting income and expenses in all compensation arrangements.~~

B. Fund Accounts and Sources

~~Each campus shall establish one or more school Compensation Plan fund account(s) (or, with the approval of the Chancellor on recommendation of the~~

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~~Dean, a department, division, or academic programmatic unit fund account for each such unit participating in this Plan).—All fund accounts shall be separate University accounts and shall receive Plan income from the following sources:~~

- ~~1.— Income from professional services.~~
- ~~2.— Amounts paid by University hospitals or affiliated institutions for professional and managerial services rendered to the hospitals by participants in the Plan, excluding stipends in IV.D.6.~~
- ~~3.— Such other funds as are required by the Chancellor or President to be included in fund accounts.~~

~~Certain other sources of University income may be available to support faculty compensation and benefits but are not recorded in Compensation Plan fund accounts, such as:~~

- ~~1.— Funds made available for salaries from University administered grants and contracts.~~
- ~~2.— Funds made available from unrestricted, non State fund accounts within the school.~~
- ~~3.— Gifts and other funds available for such purposes, as allocated by the Dean or Chancellor.~~

~~C. Assessment of Professional Services Income.~~

~~As an aid in the administration, budgeting, and allocation of professional services income, gross Plan income shall be assessed using a rate(s) annually recommended by the Dean and approved by the Chancellor for each school or~~

~~department. The income categories specified in Section IV.D. are not subject to assessment.~~

~~D. Contingency in Event of Inadequacy of Health Sciences Fund Accounts~~

~~Campus procedures shall require the establishment of one or more reserve fund(s) and shall specify whether such reserve funds will be established at the school, department, division or academic programmatic unit level. The purpose of the reserve(s) is to provide the funds necessary to pay Plan expenses, including the agreed upon compensation to each Plan participant, in the event~~

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~~that the current year income of the Plan is insufficient to do so. If the funds in the appropriate reserve account are insufficient for the purpose, the Chancellor may seek support from another non State fund account (or other non State fund accounts) within the school. If such support is not forthcoming, then the campus will reduce the participants' additional compensation in a uniform manner in accordance with any fund source restrictions across the school, department, division, or academic programmatic unit as determined by the Chancellor.~~

~~Although funds may be transferred from one fund account to another within a health sciences school in accordance with University accounting and budgeting policies and procedures, fund accounts on each campus shall be maintained as financially independent for administrative purposes.~~

E. Budgeting

~~Subject to approval by the Chancellor on recommendation of the Dean, each campus shall develop a process to annually budget for and monitor expenditures from the Health Sciences Compensation Plan fund accounts. Expenditures shall be budgeted for and funded in the following order of priority:~~

- ~~1. Clinical practice operating expenses, defined as costs incurred by the University for billing and collection of fees for clinical services; for faculty use of University owned and/or leased practice facilities; and for related professional operating activities.~~
- ~~2. To the extent that funds remain after expenditures for clinical practice costs indicated in 1., above, compensation may be paid to eligible participants in the Plan. Base salary and related benefits, including any required contribution on behalf of University of California Retirement Plan covered compensation, shall be funded before additional compensation.~~
- ~~3. To the extent that funds remain after the foregoing expenditures, benefits approved in accordance with Sections V.B. and V.C. may be paid.~~
- ~~4. To the extent that funds remain after all the foregoing expenditures, funds shall be contributed to the reserve(s) for contingencies in an amount recommended by the Dean and approved by the Chancellor.~~
- ~~5. When a health sciences fund account has accumulated a surplus beyond that required for expenditures and reserves as provided in all the above categories, the surplus shall be used as follows:~~

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- ~~a) — At least one half for academic purposes in the department or division of origin (including but not limited to salaries for support personnel) as recommended by the Chair and approved by the Dean;~~
- ~~b) — The remainder may be used for other purposes in the school or campus as recommended by the Department Chair and the Dean and approved by the Chancellor.~~

~~**VII. Implementation and Transition Arrangements**~~

~~Campus procedures for implementing this Plan shall be submitted for the President's review and approval within one year of approval of this Plan by The Regents. —
Campus procedures may be made effective as of the effective date of this Plan, or at any time thereafter, as approved by the President. —~~

~~Each school, discipline or specialty participating in the Medical School Clinical Compensation Plan or the General Health Sciences Compensation Plan at the time this Plan is approved by The Regents shall automatically be approved for participation in this Plan. — Until campus procedures for implementing this Plan are approved by the President, the plan or plans currently in use on a campus shall remain in effect.~~

~~Chancellors may approve the inclusion in this Plan of individuals who are participating in the Medical School Clinical Compensation Plan or the General Health Sciences Compensation Plan at the time this Plan is adopted but whose title is not in the series listed at Section III.A.~~

670-24 Authority

a. The President

- 1) The President or the President's designee shall have the authority to issue administrative guidelines and procedures further refining this Plan.
- 2) The President or the President's designee shall approve the inclusion or exclusion of a health sciences school, discipline, or specialty in the Plan, subsequent to the Chancellor's recommendation.

b. The Chancellor

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- 1) The Chancellor shall submit school Implementing Procedures to the President or the President's designee for approval. Such authority may not be redelegated.
- 2) The Chancellor shall submit revisions to school Implementing Procedures within the limitations of the Plan to the President or the President's designee for approval. Such authority may not be redelegated.
- 3) The Chancellor shall approve exceptions to the provisions of the Plan to meet special teaching, research, or clinical service requirement.

670-80 Procedures/Review Procedures

a. Annual Notification

Once per fiscal year, the Department Chair or Unit Head shall provide each member of the Plan a written notification of the member's total annual compensation. This notification shall include:

- 1) The amount of UCRP-covered salary (X, and if applicable, X');
- 2) Which HSCP Salary Scale has been assigned to the Plan member's APU (X, X');
- 3) The amount of negotiated additional compensation (Y); and
- 4) The payment schedule for Incentive/Bonus compensation (Z) payments and the departmental and/or school assessment policy for Z payments.

b. Implementation

- 1) Revisions to school Implementing Procedures that are necessitated by revisions to the Plan shall be submitted for the President's or the President's designee's review within one year of approval of said Plan revisions. School Implementing Procedures may be made effective as of the effective date of such revisions to the Plan, or at any time thereafter, as authorized by the President or the President's designee.
- 2) The Dean is responsible for implementing and administering the school Plan, including the resolution of complaints and appeals.

APPENDIX A

~~Requirements for Continuation of the Income Limitation Arrangements~~

~~Upon the request of a Chancellor, the President may approve continuation of an individual or a group of individuals employed and operating under Income Limitation Plan arrangement policies prior to November 1993. In order for an individual or group of individuals to be approved, that individual's or group's practice must be examined by outside experts in health-care professional compensation and tax and regulatory requirements. These experts shall advise the President whether the Income Limitation Plan arrangement policies and practices for an individual or group are in conformance with legal requirements. To the extent that an individual's or group's practice fails to conform with either tax laws or federal or state regulatory statutes, consultation shall occur with appropriate representatives of the campus regarding steps necessary to comply with tax laws and statutes governing physician reimbursement. Where such requirements cannot be met, the individual or group shall become members of the Health Sciences Compensation Plan.~~

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Philosophy

Health Sciences education occupies a special place in American higher education with unique functions and responsibilities. In health sciences education, the orientation to clinical practice, essential to the teaching function, requires an emphasis on sophisticated patient care, in addition to an emphasis on research and the advancement of knowledge. In medicine, dentistry, nursing, pharmacy, and other health sciences education as well, clinical teaching is integrated with basic and applied research. The University of California is committed to excellence in instruction, research, and public service in the health sciences just as it is committed to the same goals in other academic disciplines. Health sciences faculty members are expected to act as professional role models for all. As a public university in California authorized to grant professional doctoral degrees in the health sciences, the University has a responsibility to the State, the public, and its students to maintain the breadth and depth of its curricula, the creativity of its research efforts, and the quality of its health care services.

To ensure the level of excellence essential in the University of California, special effort must be exerted to recruit and retain the best and most dedicated faculty. Special compensation plans have been established over the years to provide for quality across academic programs in the health sciences disciplines. These health sciences compensation plans must offer a competitive salary structure indispensable to the health sciences schools' recruitment and retention efforts.

Health sciences disciplines require varying compensation levels in order to remain competitive with comparable schools elsewhere in the United States. However, because University health sciences schools share some common needs and operating requirements, the University has developed a uniform Health Sciences Compensation Plan to govern compensation arrangements and account for compensation plan income to the University's Schools of Medicine, Dentistry, Nursing, Pharmacy, and other health sciences units as deemed appropriate by the President or the President's designee.

Health sciences compensation plans must be clear and justify calculation of compensation and contain a mechanism for impartial review to protect the rights of individual faculty.

The Health Sciences Compensation Plan is approved, amended and repealed by and under the authority of The Regents of the University of California. Through the Plan, compensation is set as a part of the employment relationship, and as a consequence, the level of compensation and the terms and conditions of the Plan may be amended or repealed at any time by the President, following consultation with the Health Sciences Chancellors, Deans, and the appropriate Academic Senate Committee(s).

The implementation, administration and continued operation of this Plan shall be

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contingent on the understanding and assurance that it will not require the expenditure of more State-appropriated funds in the University budget than operation without the Plan would require.

**UC Office of the President
Appendix B**

a. Introduction

1)A. Overview of Office of the President Guidelines

These Guidelines may be amended or repealed by the President following consultation with the Health Sciences Chancellors, Deans, and the appropriate Academic Senate Committee(s). Questions about these guidelines should be directed to the Provost and Executive ~~Senior~~ Vice President–Academic Affairs.

These Guidelines are intended to provide a framework within which Implementing Procedures will be developed by each health sciences school that participates in the Plan. Additional Implementing Procedures may be developed for individual departments or organized research units. These additional Procedures must be consistent with the school Implementing Procedures and approved by the Dean. ~~Throughout these guidelines, the term “campus implementing procedures” is a generic term used to refer to school, department and organized research unit implementing procedures.~~

Compensation Plan participants may engage in occasional outside professional activities (other than patient care) and retain the related income only in accordance with these Guidelines and ~~campus~~ school Implementing Procedures. In addition to these Guidelines, Plan participants must comply with other pertinent policies including:

- Regents’ Standing Order 103.1(b) Service Obligations
- Policy on the Requirement to Submit Proposals and to Receive Awards for Grants and Contracts through the University.
- University Conflict of Interest Code, adopted pursuant to the requirements of the Political Reform Act of 1974.
- APM – 020, Special Services to Individuals and Organizations

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- ~~University Regulation No. 4 (Special Services to Individuals and Organizations).~~

2)B. School Implementing Procedures and Faculty Consultation

~~School Implementing Procedures~~ must be consistent with these ~~Guidelines~~, reviewed by the appropriate ~~division~~ Academic Senate committee(s), ~~and approved~~ reviewed by the Chancellor and ~~approved prior to implementation~~ by the President or the President's designee. Affected Plan participants shall be provided with the opportunity to review and comment on proposed ~~campus school Implementing Procedures~~. In addition, as described ~~at Section H.C.5., in APM – 670-6-d of the Plan, an Advisory Committee~~ which includes faculty representatives shall advise the Dean on ~~campus school Implementing Procedures~~ developed in accordance with ~~Section H.C.~~ these Guidelines.

b.H. Requirements on Outside Professional Activities by Compensation Plan Participants

1)A. General

~~School Campus Implementing Procedures~~ shall include ~~Guidelines requirements~~ on outside professional activities by ~~Compensation Plan Participants~~. The University-wide ~~Standard Requirement~~ described ~~at H.B. in section b-2 below~~ shall apply to Plan participants unless an ~~Alternative Option~~ is approved in accordance with ~~Section H.C. b-3 below~~, for implementation in the Plan participant's school, department or organized research unit. The mechanisms for addressing potential conflicts of commitment, described ~~at in Section H.C.4, b-3(d) below~~ are applicable in schools, departments or organized research units which operate under an ~~Alternative Option~~, but are not required in schools, departments or units which operate under the University-wide ~~Standard Requirement~~.

2)B. University-wide Standard Requirement

The University-wide ~~Standard Requirement~~ is that Plan participants shall be allowed to retain payments from 21 days of service (other than patient care) per fiscal year to governmental agencies, to non-profit health- or education-related organizations, to continuing health education programs administered by the University, or to University Extension, if such service has been approved by the Dean and the Chancellor.

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3)C.— Alternative Options

a)1. General Overview

Chancellors, after consultation with the appropriate division Academic Senate Committee(s), may submit to the President or the President's designee for approval provisions in school Implementing Procedures which would modify the University-wide Standard Requirement (as described above in Section H.B. Appendix B-b-2) to allow Plan participants in all or selected departments or units to retain additional types of income and/or income from more than 21 days of compensated outside professional activities. If an Alternative Option is proposed, the school Implementing Procedures must meet minimum criteria, as described below, with regard to:

- a limit on the number of days devoted to compensated outside professional activity;
- a description of types of professional income that may be retained; and
- mechanisms for addressing potential conflicts of commitment; and
- ~~an advisory committee.~~

b)2. Limit on the Number of Days Devoted to Compensated Outside Professional Activity

School Implementing Procedures or Guidelines must specify the maximum number of days which Plan participants may devote to compensated outside professional activity. The maximum number of days allowed must not exceed the time limits established for compensated outside professional activities in APM - Academic Personnel Policy-025. The school Procedures may allow departments or organized research units to set more restrictive limits, but such limits shall not be less than 21 days of compensated outside professional activity. Prior to implementing or revising a limit on the number of days devoted to compensated outside professional activities, affected Plan participants shall be provided an opportunity to review and comment on the proposed limit.

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c)3. Description of Types of Professional Income that May be Retained

School ~~I~~implementing ~~P~~rocedures must clearly describe the types of professional income that Plan members may be allowed to retain. Patient care activities must be provided within the University setting, or as part of an approved affiliation agreement or professional service agreement. All clinical income is due to the Plan. In no case will Plan participants be allowed to retain income from patient care activities. In addition to the types of income specified in the University-wide ~~S~~standard ~~R~~requirement, school ~~I~~implementing ~~P~~rocedures may allow Plan participants in all or selected departments or organized research units to retain additional types of professional income, such as:

~~1)a.~~ Consulting income from non-profit and for-profit entities, and/or

~~2)b.~~ Income from consulting or testifying as an expert or professional witness.

~~School Campus I~~implementing ~~P~~rocedures must also reference: 1) the University's Conflict of Interest Code, adopted pursuant to the requirements of the Political Reform Act of 1974, which requires designated University employees to disqualify themselves from participating in University decisions in which they have a personal financial interest; and 2) the Policy on the Requirement to Submit Proposals and to Receive Awards for Grants and Contracts through the University. Since a faculty member's compensated outside activities may create an obligation for the faculty member to disclose a financial interest before making or participating in certain University decisions, ~~campus school I~~implementing ~~P~~rocedures should also specify where ~~on-campus faculty can~~ to obtain information on the disclosure and disqualification requirements of the Political Reform Act of 1974, including the Academic Decision Regulation.

d)4. Mechanisms for Addressing Potential Conflicts of Commitment

School ~~I~~implementing ~~P~~rocedures shall include mechanisms to identify and resolve potential conflicts between a Plan participant's commitment to generating revenues within the Plan and his or her outside professional activities. These mechanisms shall apply to all departments or units in which the University-wide ~~S~~standard ~~R~~requirement on occasional

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professional activity (as described in ~~Section H.B~~Appendix B-b-2) has been modified to allow Plan participants to retain additional types of income and/or income from more than 21 days of service. Responsibilities of the Department Chair that are discussed below shall be assumed by the Dean with respect to oversight of the outside professional activities of Department Chairs.

~~1)a.~~ Reporting of Outside Professional Activities

Each Plan participant shall be required to submit to his or her Department Chair an annual report describing the previous year's outside professional activities from which the Plan participant retained income and an attestation of adherence to procedures implementing these ~~G~~guidelines. It is the responsibility of the Plan participant to bring to the attention of his or her Department Chair those activities which require advance approval pursuant to ~~Sections H.C.4.b. and c., below~~ APM – 670-10.

~~b. Good Standing Criteria~~

~~Written good standing criteria shall be established at the school, department or organized research unit level. Plan participants must satisfy the good standing criteria in order to be allowed to earn and/or retain income from professional activities. Good standing criteria might include, for example, requirements for clinical coverage, teaching obligations, participation in departmental activities and revenue generation. Prior to the implementation or revision of good standing criteria, affected Plan participants shall be provided the opportunity to review and comment on the proposed criteria.~~

~~Faculty who are not in good standing must obtain advance approval from the Department Chair to engage in any unassigned professional activities, and the income from all such approved activities shall accrue to the Compensation Plan, not to the Plan participant. Exceptions may be approved in writing in accordance with campus procedures. Any faculty member who is not in good standing shall be notified in writing by the Department Chair of the reasons for that determination. Faculty who believe the good standing criteria have been applied unfairly may appeal to the Advisory Committee (described at section H.C.5. below) in accordance with campus procedures.~~

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2)e. Annual Outside Professional Earnings Approval Threshold

An annual outside professional earnings approval threshold shall be established at the school, department or organized research unit level. A Plan participant who has satisfied the Good Standing Criteria established in accordance with Section H.C.4.b., APM – 670-10, who has not exceeded the limit on the number of days devoted to compensated outside professional activities established in accordance with Appendix B-b-3(b) Section H.C.2, and whose annual earnings from all outside professional activities will be less than the approval threshold is allowed to engage in outside professional activities (other than patient care) in accordance with all applicable University policies without having to request prior approval from his or her Department Chair, ~~to engage in the activities.~~ The approval threshold must not exceed the maximum approval threshold set by the Provost President. Effective with the issuance of these guidelines, the maximum annual outside professional earnings approval threshold set by the President shall be \$~~420,000~~ or 20 percent of the Health Sciences Compensation Plan salary scale for an individual faculty member's rank, step, and APU academic-programmatic unit, whichever is greater.¹ This approval threshold may be adjusted for inflation on a periodic basis by the Provost Office of the President, in accordance with the California Consumer Price Index (CPI). ~~and campuses may adjust their local thresholds accordingly.~~ The adjusted threshold will be published in the Academic Salary Scales and campuses may adjust their local thresholds accordingly. The maximum approval threshold may also be re-evaluated periodically by the Provost Office of the President in consultation with campus management. ~~and the Academic Senate.~~ ~~The first re-evaluation will be three to five years after these guidelines are issued.~~ Prior to the implementation implementing or revision of revising a school, department or unit approval threshold, affected Plan participants shall be provided an opportunity to review and comment on the proposed threshold.

¹For example, under this provision, using the salary scales effective on 10/1/99~~2011~~, a Professor Step IX on the Health Sciences Compensation Plan salary scale 9 (the highest salary scale) could be permitted to earn and retain up to \$~~76,320~~~~64,840~~ (20 percent of \$~~381,600~~~~324,200~~) before having to request approval to engage in outside professional activities.

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Each Plan participant shall be responsible for maintaining a running total of his or her annual earnings from all outside professional activities. If the Plan participant wishes to engage in an activity that might reasonably be expected to cause his or her total annual earnings from all outside professional activities to exceed the approval threshold established for his or her school, department or organized research unit, then the Plan participant must request approval to engage in the activity. To request approval, the Plan participant is required to provide to his or her Department Chair, in writing, relevant details about the engagement including: the nature of the services to be provided; the person or entity who will receive and/or pay for the service;² the anticipated period of service and/or days to be devoted to the activity; the total expected income from the activity; and the amount by which the participant's total annual earnings from outside activities are expected to exceed the threshold. Department Chairs shall forward to the Dean any request which requires review by the Dean and/or Chancellor in accordance with school campus Implementing Procedures and Guidelines. ~~If a Plan participant's request is approved, the Plan participant may retain the entire amount of income from that activity, including the portion which exceeds the approval threshold.~~ If a request is not approved, the Department Chair will advise the Plan participant whether: 1) the activity may be undertaken, but with all related income accruing to the Compensation Plan; or 2) the activity may not be undertaken at all. After a Plan participant has received approval to engage in an activity which may cause his or her total annual earnings from outside professional activities to exceed the established approved threshold, he or she must request the Chair's approval for any subsequent engagement(s). If such engagements are allowed, they shall be undertaken with all related income accruing to the Compensation Plan unless an exception is approved in writing in accordance with school campus Implementing Procedures or Guidelines. ~~procedures.~~

Department Chairs and/or Deans may approve Plan participants' requests to engage in outside professional activities in accordance with school campus Implementing Procedures or Guidelines. ~~procedures.~~ However, school campus Implementing Procedures or

²When required to ensure appropriate patient confidentiality, the person or entity to be reported as recipient/payer for professional witness activities is the attorney or law firm requesting the services.

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Guidelines ~~procedures~~ shall state that only the Chancellor has authority to approve any request which involves a Plan participant retaining earnings that exceed the maximum annual outside professional earnings approval threshold set by the Provost ~~President~~ ([see above in Appendix B-b-3(d)(2)]. ~~Section II.C.4.c.~~). ~~Requests approved by the Chancellor shall be in writing with a copy to the President.~~

Plan participants shall notify Department heads immediately if they inadvertently exceed the dollar threshold or if any of the information they provided in an approval request changes or is found to be inaccurate; ~~becomes inaccurate~~; for example, a participant should immediately notify his or her Department Chair if the initial estimate of earnings from an outside professional activity turns out to be understated. Plan participants are subject to corrective action and disciplinary measures as outlined above in Appendix B-d Section IV for violation, neglect or manipulation of Compensation Plan requirements.

5. ~~Advisory Committee~~

~~An advisory committee which includes faculty representatives shall be established to assist the Dean in resolving issues on outside professional activities which arise from implementation of these guidelines. The composition of the committee, method for selecting members, term of service, and procedures (including those for receiving and hearing faculty complaints) shall be specified in the school implementing procedures. At least half of the committee's voting members shall be elected by members of the Compensation Plan. The committee's functions shall include advising the Dean on:~~

- ~~a. School implementing procedures, including the establishment of good standing criteria and approval thresholds.—~~
- ~~b. Processes for developing departmental and organized research unit implementing procedures including methods for obtaining faculty input and for determining consistency with school implementing procedures.~~
- ~~c. Faculty grievances with regard to the implementation and administration of these guidelines.~~

c.III. Limitations on Use of University Resources in Connection with Outside Professional Activities

The use of University staff, laboratories, facilities, or other University resources in connection with outside professional activities is subject to limitations. The Faculty Code of Conduct, Part II, C. lists the unauthorized use of University resources or facilities on a significant scale for personal, commercial, political, or religious purposes as a type of unacceptable conduct (see ~~Academic Personnel Policy~~ APM - 015, Section II). In general, when faculty retain income from professional consulting or expert witness activities, particularly when the activities are conducted for third party for-profit entities or private individuals, the costs associated with the consulting or witness activities should be borne by the third party or the faculty member, not by the University. In addition, the University's liability coverage does not extend to certain faculty consulting and expert witness activities. For example, University malpractice/professional liability coverage does not generally extend to expert witness activities when the faculty member retains the related income. Questions about the appropriate use of University resources and coverage under University liability programs should be discussed with the faculty member's department or unit head, who may consult with the Dean. The Dean will, if necessary, refer the questions to other appropriate University officers.

d.IV. Monitoring and Enforcement

The primary means of monitoring compliance will be review by Department Chairs of information provided by the faculty member in annual reports on outside professional activities. If a Department Chair has any concerns about whether a Compensation Plan member is meeting the established standards, the matter may be referred to the Dean of the appropriate School. The responsibility for oversight of the outside professional activities of Department Chairs shall reside with the Dean.

School Campus Implementing Procedures or Guidelines shall clearly state that the University reserves the right to take corrective action and disciplinary measures toward ~~against~~ any Compensation Plan member who fails to comply with Compensation Plan Implementing Procedures on outside professional activities. Situations where Compensation Plan members will be considered out of compliance include, but are not limited to:

- Failure to turn over income due to the Plan as required by school campus Implementing Procedures or Guidelines.

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- Failure to accurately disclose and describe the nature and scope of outside professional activities as required by school campus Implementing Procedures or Guidelines.

If the Department Chair or the Dean has reason to believe that a Plan member has not complied with the school campus Implementing Procedures or Guidelines on outside professional activities, the Dean may take appropriate corrective action. A procedure for hearing and resolving disputes about corrective action shall be provided in school implementing Procedures. Corrective action refers to the discontinuation of certain privileges available only to Plan members, in particular the opportunity to earn and receive compensation above the fiscal year salary scale through the Compensation Plan, because of noncompliance. For example, corrective actions may include:

- Incentive or bonus compensation (commonly referred to as “Z” compensation) may be discontinued until such time as the Plan member complies with the Compensation Plan provisions, or—
- Additional negotiated compensation (commonly referred to as “Y” compensation) may be set with consideration of the Plan member’s prior performance, including compliance with guidelines on outside professional activities.

Compensation established in accordance with the specialized Health Sciences Salary Scales (commonly referred to as “X” compensation) shall not be reduced as a corrective action unless the Plan member is placed, by Chancellorial Presidential exception, on the fiscal year salary scale.

Reductions in compensation are not always the result of corrective action and may also occur for other reasons such as insufficiency of current year income and contingency reserves (see Appendix C Health Sciences Compensation Plan, Section VI.D). Whenever reductions in compensation are the result of corrective action, faculty shall be so notified in writing.

In addition, corrective action will not preclude sanctions or disciplinary measures in accordance with the Faculty Code of Conduct and Academic Senate Bylaws. Violations by Plan members of either the time limits or approval thresholds on outside professional activities represent an unauthorized use of University resources and/or retention of funds belonging to the University. Such violations are subject to discipline in accordance with the Faculty Code of Conduct.

An Academic Senate member who is subject to corrective action has available to

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him or her a grievance process through the Privilege and Tenure Committee as described in Academic Senate Bylaw 335. Other faculty may grieve through the provisions of Academic Personnel Policy 140.

Appendix C

Campus Accounting and Budgeting Methods

a. Management and Reporting of Professional Services Income and Expenses

1) University Management

All professional services income generated by Compensation Plan members shall be considered revenue of the University; the only exception to this requirement shall be income which the Plan participant is allowed to retain in accordance with APM - 670-19. All compensation paid by the University to Plan members will be subject to Federal and State withholding and reported on a W-2 form as wages in accordance with Internal Revenue Service (IRS) Regulations and University policies and procedures. All compensation must be included in the employee's income as wages subject to withholding for applicable Federal, State and FICA taxes. Eligibility and withholding for benefits (such as the University of California Retirement Plan, Retirement Savings Programs and employee life insurance programs) will be determined based upon the University's policies and procedures. School Implementing Procedures shall include billing and accounting procedures necessary to assure accountability for all funds. All financial transactions shall be approved, documented, and otherwise processed or executed in accordance with University policies, procedures and delegations of authority.

- a) Professional fee billing and collection activities shall be conducted by University billing groups, by external vendors with which the University has contracted, or as otherwise permitted by University procedures. All such fees shall be deposited upon receipt by the University or by an external vendor in a University bank account established in accordance with University delegations of authority.
- b) Contracts with external billing vendors shall be processed and executed in accordance with delegated authority and University purchasing policies and procedures. They shall contain standard University-approved clauses, be subject to audit, and provide for monthly transmission of billings and receipt information to the University. Specific University-wide regulations may be developed for such contracts as needed to assure that funds are accounted for, safeguarded, and appropriately managed.

2) Reports

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The accounting standards specified in the University of California Accounting Manual must be used in reporting income and expenses in all compensation arrangements.

b) Accounts and Sources

Each campus shall establish one or more school Compensation Plan account(s) in the financial accounting records for the campus or, with the approval of the Chancellor on recommendation of the Dean, an account for each such unit participating in this Plan; may also be established at the department and divisional level. Plan income from the following sources should be recorded in these accounts:

- 1) Income from professional services.
- 2) Amounts paid by University hospitals or affiliated institutions for professional and managerial services rendered to the hospitals by participants in the Plan, excluding stipends in APM - 670-18-c(3).
- 3) Such other funds as are required by the Chancellor or President or the President's designee to be included in fund accounts.

Certain other sources of University income may be available to support faculty compensation and benefits but are not recorded in Compensation Plan accounts, such as:

- 1) Funds made available for salaries from University-administered grants and contracts.
- 2) Funds made available from unrestricted, non-State fund accounts within the school.
- 3) Gifts and other funds available for such purposes, as allocated by the Dean or Chancellor.

c. Assessment of Professional Services Income

To aid in the administration, budgeting, and allocation of professional services income, gross Plan income shall be assessed using a rate(s) annually recommended by the Dean and approved by the Chancellor for each school or department. The income categories specified in APM - 670-19 are not subject to assessment.

d. Contingency in Event of Inadequacy of Health Sciences Fund Accounts

School Implementing Procedures shall require the establishment of one or more reserve account(s) and shall specify whether such reserve account(s) will be established at the school, department, or division. The purpose of the reserve(s) is to

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provide the funds necessary to pay Plan expenses, including the agreed-upon compensation to each Plan participant, in the event that the current year income of the Plan is insufficient to do so. If the funds in the appropriate reserve account are insufficient for the purpose, the Chancellor may seek support from another non-State account(s) within the school. If such support is not forthcoming, then the campus will reduce the participants' additional compensation in a uniform manner in accordance with any fund source restrictions across the school, department, or division, as determined by the Chancellor.

Although funds may be transferred from one account to another within a health sciences school in accordance with University accounting and budgeting policies and procedures, accounts on each campus shall be maintained as financially independent for administrative purposes.

e. **Budgeting**

Subject to approval by the Chancellor on recommendation of the Dean, each campus shall develop a process to annually budget for and monitor expenditures from the Health Sciences Compensation Plan accounts. Expenditures shall be budgeted for and funded in the following order of priority:

- 1) Clinical practice operating expenses, defined as costs incurred by the University for billing and collection of fees for clinical services; for faculty use of University-owned and/or -leased practice facilities; and for related professional operating activities.
- 2) To the extent that funds remain after expenditures for clinical practice costs indicated in 1), above, compensation may be paid to eligible participants in the Plan. Base salary and related benefits, including any required contribution on behalf of University of California Retirement Plan covered compensation, shall be funded before additional compensation.
- 3) To the extent that funds remain after the foregoing expenditures, benefits costs approved in accordance with APM - 670-20 may be paid.
- 4) To the extent that funds remain after all the foregoing expenditures, funds shall be contributed to the reserve(s) for contingencies in an amount recommended by the Dean and approved by the Chancellor.
- 5) When a health sciences account has accumulated a surplus beyond that required for expenditures and reserves as provided in all the above categories, the surplus shall be used as follows:

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- a) At least one-half may be used for academic purposes in the department or division of origin (including but not limited to salaries for support personnel) as recommended by the Chair and approved by the Dean; and
- b) The remainder may be used for other purposes in the school or campus as recommended by the Department Chair and the Dean and approved by the Chancellor.