

The Regents of the University of California

**COMMITTEE ON COMPENSATION**

March 29, 2012

The Committee on Compensation met on the above date UCSF–Mission Bay Community Center.

Members present: Regents Kieffer, Lozano, Pattiz, Pelliccioni, Ruiz, and Varner; Ex officio members Gould, Lansing, and Yudof; Advisory members Anderson and Mendelson

In attendance: Regents Blum, De La Peña, Hallett, Island, Makarechian, Mireles, Newsom, Reiss, Schilling, and Wachter, Regents-designate Rubenstein and Stein, Faculty Representative Powell, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Pitts, Executive Vice President Brostrom, Senior Vice Presidents Dooley and Stobo, Vice Presidents Allen-Diaz, Beckwith, Darling, Duckett, Lenz, and Sakaki, Chancellors Block, Blumenthal, Desmond-Hellmann, Fox, Katehi, White, and Yang, and Recording Secretary Johns

The meeting convened at 9:55 a.m. with Committee Chair Ruiz presiding.

**1. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of November 28, 2011 were approved.

**2. AMENDMENT OF REGENTS POLICY 7702 – PERFORMANCE MANAGEMENT REVIEW PROCESS**

The President recommended that that Regents Policy 7702 – Senior Management Group Performance Management Review Process be amended as shown in Attachment 1.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Ruiz explained that this item addressed proposed minor amendments to the Senior Management Group performance review process adopted by the Regents.

Vice President Duckett observed that for a number of years the performance of the Principal Officers of the Regents was reviewed in a manner consistent with this policy. However, the policy adopted by the Regents in 2008 excluded the Principal Officers of the Regents. The proposed amendment to the policy would now formally include the Secretary and Chief of Staff, the General Counsel, the Chief Compliance and Audit

Officer, the Chief Investment Officer, and the President. Mr. Duckett noted that the President is not a Principal Officer of the Regents. In addition, the changes to the policy would clarify the review process for those who report to both the Board and the President. In these cases, the President would coordinate the assessment, in consultation with the Regents, and then provide the overall performance assessment to the employee, as he does for all his other direct reports. In the case of the General Counsel, the Chairman of the Board would serve as the primary reviewer. The categories selected for review, such as leadership and management, vision, and principles of community would remain unchanged, but the definitions would be removed from the policy document itself, so that revisions to these definitions can occur as needed.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

3. **APPROVAL OF APPOINTMENT OF AND TOTAL COMPENSATION FOR GLENN MARA AS VICE PRESIDENT – LABORATORY MANAGEMENT, OFFICE OF THE PRESIDENT AS DISCUSSED IN REGENTS ONLY SESSION**

Background to Recommendation

Approval was requested for the appointment of Glenn Mara as Vice President – Laboratory Management, reporting directly to the President of the University. Mr. Mara is currently a rehired retiree serving as Acting Associate Vice President – Laboratory Programs on a 43 percent basis. As a condition of appointment, he will suspend all payment of retirement benefits consistent with Regents policy.

Mr. Mara will be appointed as a full-time employee for a term of up to 24 months, renewable annually, with an annual base salary of \$367,000. This represents a 6.2 percent savings (\$24,416) over the previous incumbent. It is anticipated that employment in this position will commence on or about July 1, 2012. This position is funded from non-State sources, specifically the U.S. Department of Energy (DOE) contract fee earned as UC's partner share at Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL) and reimbursement for Laboratory Management expenses approved by the DOE Contracting Officer at Lawrence Berkeley National Laboratory (LBNL). The funds for this position are part of the UC Office of the President expenditure budget paid from Laboratory fees annually approved by the Regents.

With the impending retirement of the current incumbent, there is a critical need for an experienced, knowledgeable candidate to ensure that the University's oversight of the DOE contractual agreements relating to science and technology research programs at the National Laboratories continues to be led effectively and that the University's representation with key stakeholders, including the DOE, the Department of Defense, the National Nuclear Security Administration (NNSA), the Office of Science, and State and federal elected officials, remains in experienced hands.

Mr. Mara has the unique knowledge, skills, experience, and established relationships with both internal and external constituents that will allow him to guide the Laboratory Management Office in its efforts to support LBNL and the Los Alamos National Security and Lawrence Livermore National Security partnerships. This is especially critical to fulfill the goals of maintaining and fostering world-class research.

In his role as Vice President, Mr. Mara will be working on the following mission-critical initiatives. Detailed information is outlined in the background section.

- LBNL Second Campus
- LBNL Next Generation Light Source (NGLS)
- LLNL Open Campus
- LLNL National Ignition Facility (NIF) and the National Ignition Campaign
- LANL and LLNL mentoring of new Laboratory Directors
- LANL next generation major scientific capability (*MaRIE One*)

#### Recommendation

The President recommended approval of the following items in connection with the appointment of and total compensation for Glenn Mara as Vice President – Laboratory Management, Office of the President:

- A. Term appointment at 100 percent time for 12 months, renewable annually for up to 24 months, with an annual base salary of \$367,000.
- B. This position will be assigned to SLCG Grade 112 (Minimum \$298,900, Midpoint \$385,300, Maximum \$471,500).
- C. Per policy, annual automobile allowance of \$8,916.
- D. Per policy, a five percent monthly contribution to the Senior Management Supplemental Benefit Program.
- E. Per policy, this full-time appointment is contingent upon Mr. Mara's completion of the UC Retirement Plan Retired Employee Election Form to suspend income and any other health and welfare benefits he receives as a retiree. He will then re-enter the retirement system and enroll as an employee. He will re-retire the day after separation from UC employment. Therefore, the policy restrictions pertaining to appointment percentage or duration of reemployment for rehired retirees will not apply to Mr. Mara's appointment.
- F. Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior management life insurance and executive salary continuation for disability).

- G. Per policy, an annual Administrative Fund allocation for official business-related expenses in accordance with University policy and procedures. The amount of the fund is established annually by the Regents and is subject to the University's accounting procedures for administrative purposes.
- H. Provided that the contingency identified in paragraph E. above is met, this appointment will be effective on or about July 1, 2012.

### COMPARATIVE ANALYSIS

#### **Recommended Compensation**

**Effective Date:** July 1, 2012

**Base Salary:** \$367,000

**Target Cash Compensation:** \$367,000

**Grade Level:** SLCG Grade 112

(Minimum \$298,900, Midpoint \$385,300, Maximum \$471,500)

#### **Budget &/or Prior Incumbent Data**

**Title:** Vice President – Laboratory Management

**Base Salary:** \$391,416

**Target Cash Compensation:** \$391,416

**Grade Level:** SLCG Grade 113

(Minimum \$333,900, Midpoint \$431,500, Maximum \$529,100)

### COMPETITIVE ANALYSIS

|                          | BASE SALARY MARKET PERCENTILES |                  |         |                  |                  |
|--------------------------|--------------------------------|------------------|---------|------------------|------------------|
| Percentiles              | 25 <sup>th</sup>               | 50 <sup>th</sup> | Mean    | 75 <sup>th</sup> | 90 <sup>th</sup> |
| Market Data              | \$315.0                        | \$383.1          | \$422.3 | \$440.0          | \$559.3          |
| % Difference from Market | 16.5%                          | -4.2%            | -13.1%  | -16.6%           | -34.4%           |

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

**Submitted by:** President Yudof

**Reviewed by:** Committee on Compensation Chair Ruiz  
Office of the President, Human Resources

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Ruiz outlined the major elements of compensation being proposed for Glenn Mara, noting that compensation for Mr. Mara would be \$367,000 per year, compared to the current incumbent's salary of \$391,416, and that funding for the position would come entirely from non-State sources, specifically from the U.S. Department of Energy.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

President Yudof stated that it was a great pleasure to officially recognize Glenn Mara as the next Vice President – Laboratory Management. It was to the great benefit of the National Laboratories that an individual with such a long and impressive career would serve in this role. Mr. Mara is a distinguished expert in a variety of scientific and engineering fields, from materials science to the science that supports U.S. national security policies. He has demonstrated tremendous leadership in divisions that demand consistency and clarity, including Laboratory operations and the nuclear weapons program.

Regent Pattiz noted that Vice President Darling would be leaving UC for an executive position at the National Academy of Sciences. He stated that it would be a privilege to work with Mr. Mara, who has extensive experience at the Laboratories and at the University. He is well known in Washington, D.C., at the Department of Energy, the Department of Defense, and the National Nuclear Security Administration. He has served on search committees for two Laboratory directors and is well respected in his field. The University would rely on Mr. Mara to ensure that the Laboratories continue to produce outstanding work.

4. **UNIVERSITY OF CALIFORNIA RETIREMENT PLAN – CLARIFICATION OF STATUS OF PROGRAM LINKED TO COMPENSATION CAP**

The President recommended that the Regents:

- A. Rescind their 1999 conditional authorization of an alternative benefit formula proposed for the University of California Retirement Plan, a restoration program (Program) that was designed to restore pension benefits reduced by the compensation limit established by the Internal Revenue Code and delegation of authority to the President (with the concurrence of the Chairman of the Regents and the Chair of the Committee on Finance) to implement the Program.
- B. Affirm that the President (with the concurrence of the Chairman of the Regents and the Chair of the Committee on Finance) has never implemented the Program and, therefore, no benefits have accrued under the Program.
- C. Affirm that since the conditional authorization of the Program is being rescinded, no benefits can accrue in the future under the Program.

- D. As an exception to policy, that these actions be effective immediately upon adoption.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Executive Vice President Brostrom explained that this item would rescind a 1999 conditional action by the Regents and reaffirm the University's commitment to its existing post-employment benefits.

Regent Newsom praised President Yudof for bringing this item forward and expressed strong support for the action.

President Yudof emphasized that the item recommended rescission of a conditional action that never came to fruition. The item clarifies the University's position, which is and remains that the restoration program never took effect for lack of the required action by the President, the Chairman of the Board, and the Chair of the Committee on Finance.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

**5. AMENDMENT OF THE HEALTH SCIENCES COMPENSATION PLAN, SECTION 670 OF THE ACADEMIC PERSONNEL MANUAL**

The President recommended that, at the next regularly scheduled meeting of the Regents, the Health Sciences Compensation Plan, Section 670 of the Academic Personnel Manual (APM - 670), be amended as shown in Attachment 2.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee Chair Ruiz explained that, per policy, final action on this item would be taken at the May meeting.

Provost Pitts stated that this item presented a modification of Section 670 of the Academic Personnel Manual. He noted that the Regents generally are not concerned with the Academic Personnel Manual other than in matters of compensation. The proposed amendment would not change compensation for physicians or health science faculty, but was primarily an internal reordering of the document. It would allow greater interaction between health sciences faculty and the administration of their departments. The amendment would not change the basic structure of the Academic Personnel Manual or the Regents' relationship to the Academic Personnel Manual.

Faculty Representative Anderson explained that in general, the Academic Personnel Manual is issued by the President after extensive consultation with the Academic Senate. Ideally there should be agreement, and in this case, the Academic Senate and the

administration are in agreement. The Academic Senate supports the proposed amendment, which was being brought before the Regents because it concerned compensation.

Regent De La Peña asked if the amendment would make any change to reports to the Regents or to Regents' decisions. Dr. Pitts responded that reporting would not be changed; for example, the levels of faculty salaries that have to be reported would not be changed. The Regents remain the final arbiter of the policy.

Committee Chair Ruiz referred to a section of the policy concerning good standing criteria, and the sentence: "Exceptions may be approved in writing in accordance with school Implementing Procedures." He asked why the word "may" rather than "must" was used. Dr. Pitts responded that exceptions can be requested, and they may or may not be granted. As with most cases of exceptions to policies, this language allows the possibility for an exception to policy, but recognizes situations in which exceptions can be requested and not granted.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 10:10 a.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

University of California – Regents Policy 7702

## Senior Management Group

# Performance Management Review Process

Approved July 17, 2008

Amended September 16, 2010



**Responsible Officer:** Vice President–Human Resources

**Responsible Office:** Executive Compensation and Performance Management

**Effective Date:** ~~July 1, 2008~~ April 1, 2012

**Next Review Date:** The Responsible Officer will review the policy annually for update purposes, and will conduct a full review at least every three years.

**Who Is Covered:** All employees whose position is designated to be in the Senior Management Group inclusive of ~~Officers of the University per Regents Standing Order 100.1.a.~~, including the President and Principal Officers of The Regents.

~~Deans are excluded from the Five-Year Senior Leadership Development Assessment portion of this policy at this time since they are subject to the regular academic review process. Subject to review and approval by The Regents, Principal Officers of The Regents may be included in this policy at a future date with a similar review process being developed after consultation with The Regents.~~

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## Senior Management Group Performance Management Review Process

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### I. POLICY SUMMARY

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This policy provides the direction and authority for a performance review process that establishes goals and expectations, and reviews the accomplishments of the Senior Management Group members of the University, including the President and Principal Officers of The Regents.

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### II. POLICY DEFINITIONS

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**Executive Officer**: The University President, Chancellor, or Laboratory Director.

**Exceptions**: Actions that exceed what is allowable under current policy or that are not expressly provided for under policy. Any such actions must be treated as exceptions.

**Senior Management Group**: Individuals whose career appointment is in the Senior Management Group (SMG) personnel program. SMG Employees with a who also hold dual academic appointment at 0 percent shall be considered to possess a career appointment in the Senior Management Group.

**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.

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### III. POLICY TEXT

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#### ***A. Five-Year Senior Leadership Development Assessment***

A Leadership Development Assessment will be conducted once every five years. The purpose of this assessment is to provide the Senior Management Group (SMG) member with feedback from a broader perspective than is usual with an annual performance evaluation. This is a managerial coaching and development exercise, rather than an evaluation of achievement toward specific goals. Individuals who have direct and specific knowledge of a SMG member's performance and contribution will be consulted to collect their input and feedback relevant to the SMG member's performance. Those consulted should include individuals, as appropriate, from among the following constituents: the Academic Senate, academic unit heads, staff (including subordinates), deans, other administrators within the University, and other pertinent external groups and, in the case of the President and Principal Officers of the University, Regents.

The process for conducting the leadership development assessment, the format and any related materials may be developed by each location. The official document of record will reside with each location; however, a copy of the document will be provided to the Office of the President. The Chancellor will determine the appropriate contributors to the assessment of campus SMG members. The Leadership Development

## **Senior Management Group Performance Management Review Process**

Assessment will be initiated by the direct supervisors at each location. As processes are developed, proper consultation with the Academic Senate will occur, where appropriate. For those positions reporting to the President and/or the Regents, the Office of the President will be responsible for establishing a process consistent with this policy.

### ***B. Annual Performance Evaluation***

Performance evaluations will be conducted annually by the direct supervisor for each SMG member on the [University of California Performance Management for Senior Administrators](#) evaluation form. For campus positions, the Chancellor shall determine the key components in the performance evaluation process, which may include self-appraisals; internal and external sources of information, including client feedback; and input from key stakeholders. The official document of record will reside with each location; however, a copy of the document will be provided to the Office of the President and the overall rating will be recorded in the Senior Leadership Information System (SLIS).

For Principal Officers of the Regents reporting to both the Board of Regents and the President, the incumbent will complete a self-assessment and the President will collect input from the Chair of the Board and the designated Regent. The President will develop agreement on the overall assessment and then meet with the Principal Officer to provide the overall performance assessment.

For the President and Principal Officers of the Regents reporting solely to the Board of Regents, the Chair of the Board will develop the overall assessment and then meet with the President or Principal Officer to provide the overall performance assessment.

The designated Regent for the General Counsel is the Chair of the Board. The designated Regent for the Chief Investment Officer is the Chair of the Investment Committee. The designated Regent for the Chief Compliance Officer is the Chair of the Committee on Compliance and Audit.

Goals and objectives will be established for each employee holding a position which has been designated as a participant at the commencement of or during the performance period. Goals and objectives are to clarify and delineate accountability, create opportunity for the individual to add value to the work of the unit and/or campuses, be aligned with higher level objectives and strategies established by University leadership, and encourage growth and development of the individual. Performance will be measured relative to the attainment of the stated goals and objectives, and significant accomplishments related to the strategic goals and objectives of the University.

### ***C. Annual Performance Review Standards and Competencies***

~~These s~~Standards and competencies will be incorporated into the annual performance management and review process to measure performance in such areas as vision, leadership, people management, creativity and innovation, interpersonal and communication skills, work productivity and quality, resource management and financial budget, diversity, client service, health service, and principles of community.

## Senior Management Group Performance Management Review Process

- ~~Accountability and Governance: Demonstrates execution of goals and objectives which provide opportunities for growth of the SMG member and supports the overall success of the strategic objectives of the organization, both locally and systemwide. These goals and objectives will include compliance with applicable regulatory and university requirements. Adheres to University principles of transparency and openness in working with all constituents.~~
- ~~Collaboration and Communication: Demonstrates a proactive approach to establishing effective relationships with key internal (local and systemwide) and external constituencies; understands the diverse needs and agendas of various stakeholder groups; creates and fosters an environment that ensures collegiality and information sharing, while recognizing the need for timely decision making. Effectively communicates with leadership, faculty, and staff.~~
- ~~People Leadership: Provides an environment of growth and career development, recognizing and utilizing skills of others through clear, specific, and timely performance feedback; recruits, develops, and retains talented managers and employees; provides effective coaching, delegates effectively, and rewards superior performance.~~
- ~~Inspiring Innovation and Leading Change: Inspire and develop opportunities for new and innovative approaches in the disciplines covered, better ways of teaching students, and greater contributions to research and dissemination of the knowledge developed at the University. Drives change initiatives by defining measurable outcomes, energizing others at all levels and ensuring continuing commitment when faced with new initiatives; confronts and works through resistance with various stakeholders.~~
- ~~Resource Management and Financial Budget: Develops strategic goals and objectives to achieve accountability and efficient stewardship of University resources (operational, financial, and human) in a manner consistent with systemwide objectives and initiatives. Adheres to established budget and resource allocations, ensuring optimal and efficient use of all resources.~~
- ~~Diversity: Demonstrates an active and engaged commitment to diversity. Works to establish a climate in the University that welcomes, celebrates and promotes respect for diversity of race, color, national origin, religion, sex, gender identity, pregnancy, physical or mental disability, medical condition (cancer-related or genetic characteristics), ancestry, marital status, age, sexual orientation, citizenship, or status as a covered veteran. Ensures equal opportunity in search and recruitment processes by ensuring diverse representation on search committees, supplemental outreach efforts, etc. Promotes equity in advancements by describing the review process for new staff and administrators, encouraging participation in career advising or mentoring programs, etc.~~
- ~~Client Service: Understands that the University is a large, complex organization with many internal and external clients. Carries out the University's organizational~~

## Senior Management Group Performance Management Review Process

~~philosophy to provide the best possible services in support of its mission of teaching, research, and public service.~~

- ~~• Health and Safety: Understands that safety and environmental issues are essential elements of ensuring the continued success of UC and its employees. Maintains a safe, healthy, and environmentally sound workplace.~~
- ~~• Principles of Community: Fosters a positive working and learning environment by maintaining a climate of collaboration, fairness, cooperation, and professionalism. Practices and integrates these basic principles in all interactions.~~

### ***D. Standardized Overall Performance Rating***

To provide a standard University-wide format and rating system for Senior Management Group members, the following scale will be incorporated into the review:

Overall Performance Rating:

- **Exceptional Performance** is significant overachievement of expectations.
- **Above Expectations Performance** is often beyond expectations.
- **Satisfactory Performance** consistently fulfills expectations.
- **Improvement Needed Performance** is inconsistent performance, with expectations only partially achieved. Deficiencies should be addressed in the performance appraisal.
- **Unsatisfactory Performance** is the failure to achieve the majority of expectations. Deficiencies should be addressed in the performance appraisal.

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## **IV. Approval Authority**

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### ***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, including modifications of the evaluation form to attain to the objectives of the review. The Office of the President Human Resources will work with the Responsible Officer to implement this policy.

### ***B. Revisions to the Policy***

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

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.

## Senior Management Group Performance Management Review Process

The Executive Vice President–Business Operations has the authority to ensure that policies are regularly reviewed and updated, and are consistent with the [Principles for Review of Executive Compensation \(Regents Policy 7201\)](#) and other governance policies.

### **C. Approval of Actions**

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

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## **V. COMPLIANCE**

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### **A. 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 collecting all relevant compensation package activity, and creating specified regular compliance reports (such as a monthly compensation compliance report) for review by the location's Top Business Officer.

The Top Business Officer establishes procedures to collect and report information, reviews the specified regular compliance reports (such as a monthly compensation compliance report) for accuracy and completeness, reviews policy exceptions and/or anomalies to ensure appropriate approval has been obtained, and submits a copy of the compliance report to the Executive Officer for signature.

The Executive Officer is accountable for monitoring and enforcing compliance mechanisms, ensuring monitoring procedures are in place, approving the specified regular compliance reports (such as a monthly compensation compliance report), and sending notice of final approval for the reports to the Senior Management Compensation Office, Top Business Officer, and Local Resources.

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 monitor compliance to these policies, and results will be reported to senior management and the Regents.

### **B. 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](#).

## Senior Management Group Performance Management Review Process

Noncompliance is reported in the monthly compliance report from each location as approved by the Executive Officer and reviewed by the Senior Vice President–Chief Compliance and Audit Officer and the Regents at least three times per fiscal year.

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### REVISION HISTORY

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This is a new policy and there is no revision history.

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### IMPLEMENTATION PROCEDURES

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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 Regents.

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### RELATED DOCUMENTS

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- [\*Regents Standing Order 100.1.a.\*](#) (referenced in the **Who is Covered** section of this policy)
- [\*University of California Performance Management for Senior Administrators\*](#) (referenced in Section III.B. of this policy)
- [\*Principles for Review of Executive Compensation \(Regents Policy 7201\)\*](#) (referenced in Section IV.B. of this policy)
- [\*Guidelines for Corrective Actions Related to Compensation Practices\*](#) (referenced in Section V.B. of this policy)
- [\*Guidelines for Resolution of Compensation and Personnel Issues Resulting from the Findings of Audits and Management Reviews\*](#) (referenced in Section V.B. of this policy)

**Additions shown by underscoring; deletions shown by strikethrough**

SALARY ADMINISTRATION

APM - 670

Health Sciences Compensation Plan and  
~~Guidelines on Occasional Outside Professional Activities by~~  
~~Health Sciences Compensation Plan Participants~~

July 1999

**Health Sciences Compensation Plan**  
**University of California**

**I. Introduction**

**A. Philosophy**

Health Sciences education occupies a special place in American higher education with unique functions and responsibilities. In medical 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 dentistry, nursing, pharmacy, and other health science 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. As the only 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 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.

## SALARY ADMINISTRATION

APM - 670

### Health Sciences Compensation Plan and Guidelines on Occasional Outside Professional Activities by Health Sciences Compensation Plan Participants

~~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 Regents, following consultation with the Health Sciences Chancellors, Deans and appropriate Academic Senate Committee(s).~~

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

#### 670-0 Policy

The Health Sciences Compensation Plan (HSCP) provides a policy framework within which Implementing Procedures will be developed by each health sciences school that participates in the Plan. School Implementing Procedures must be consistent with the Plan and its philosophy (see Appendix A), reviewed by the appropriate faculty committee(s), approved by the Chancellor, and reviewed prior to implementation by the President or the President's designee.

In developing Procedures consistent with this policy, the participating health sciences schools, after discussion and comment by the participants, and consultation with the school Advisory Committee, may include provisions that are more, but not less, restrictive than those outlined herein.

#### 670 – 2 Purpose and Goals of the Plan

The purpose of this Health Sciences Compensation Plan is to provide a common administrative framework within which a participating health sciences school can compensate its faculty according to the competitive requirements of each discipline. Specific goals of this Plan are:

- a.1. To provide sufficient non-State resources to recruit and retain outstanding health sciences faculty;
- b.2. To encourage a balance among teaching, research/scholarship, clinical care, and University and public service activities (including clinical practice) of the quality required in the University of California;



SALARY ADMINISTRATION

APM - 670

~~Health Sciences Compensation Plan and  
Guidelines on Occasional Outside Professional Activities by  
Health Sciences Compensation Plan Participants~~

- ~~c.3.~~ To provide teaching, patient care and research incentives that encourage and recognize academic merit as well as generation of income;
- ~~d.4.~~ To offer consistent benefits and privileges to participating health sciences faculty; and schools at all University of California campuses.

## SALARY ADMINISTRATION

APM - 670

### Health Sciences Compensation Plan and Guidelines on Occasional Outside Professional Activities by Health Sciences Compensation Plan Participants

e.5. To benefit the health sciences schools by providing academic and research support funds in addition to State-appropriated funds.

## **~~H. — Review and Approval Responsibility~~**

### **~~A. — Overview~~**

~~The regulations included in this Plan are intended to provide a policy framework within which operating procedures will be developed by each health sciences school that participates in the Plan. — Campus procedures and revisions in such procedures must be consistent with the Plan, reviewed by the appropriate faculty committee(s), and approved by the Chancellor and the President.~~

~~In developing campus procedures consistent with these regulations, the participating health sciences schools may include provisions that are more, but not less, restrictive than those outlined herein.~~

## SALARY ADMINISTRATION

APM - 670

~~Health Sciences Compensation Plan and  
Guidelines on Occasional Outside Professional Activities by  
Health Sciences Compensation Plan Participants~~

### 670-6 Responsibility

#### a.B. Roles of The Regents and the President

After consultation with the Health Sciences Chancellors, Deans and the appropriate Academic Senate committee(s), and upon recommendation by the President, The Regents may amend or repeal any portion of or the entire Plan.

The President or the President's designee shall review Implementing Procedures for those schools electing participation in the Plan. have the authority to:

- ~~approve the inclusion or exclusion of a health sciences school, discipline or specialty in the Plan.~~
  - ~~approve campus procedures and revisions of approved campus procedures within the limitations of this Plan.~~
  - ~~approve individual exceptions to the provisions of this Plan to meet special teaching, research or clinical service requirements.~~
- ~~— issue administrative regulations and procedures further refining this Plan.~~

The President shall report to The Regents total compensation for any Plan participant which is greater than four times the highest step on the Professor Series Fiscal Year Salary Scale.

#### b. Role of the Chancellor

The Chancellor shall have operational authority over the development and – subsequent to review and approval by the President or the President's designee – implementation and monitoring of the school Implementing Procedures for administration of this Plan.

The Chancellor shall be responsible for assuring that affected Plan participants and the appropriate division Academic Senate committees shall be afforded the opportunity to review and comment on the proposed school Implementing Procedures.

#### c.C. Role of the Academic Senate

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The President shall consult with the appropriate Academic Senate committee(s) concerning proposed revisions of this Plan. ~~before submitting such revisions to  
The Regents for approval.~~

The appropriate division of the Academic Senate and other committee(s) ~~campus  
faculty committee~~ shall be provided the opportunity to review and comment on any proposed exceptions to ~~campus~~ School Implementing Procedures which the Chancellor intends to submit to the President or the President's ~~designee for review, approval.~~

### **D. Role of the Chancellor**

~~The Chancellor shall have operational authority over the development and, subsequent to approval by the President, implementation and monitoring of the campus procedures for administration of this Plan. The Chancellor shall be responsible for assuring that affected Plan participants and the appropriate Academic Senate committees shall be afforded the opportunity to review and comment on the proposed campus implementing procedures.~~

### **d. Role of the Advisory Committee**

A school-specific Advisory Committee which includes Senate and non-Senate faculty members representative of the disciplines participating in the Plan shall be established to assist the Dean in resolving the issues that may arise from implementing the Plan.

The Committee assists in assuring compliance with and resolving issues on outside professional activities, conflict of interest, and conflict of commitment. The Committee also reviews the submissions of individual department or unit Implementing Procedures.

The composition of the Committee, method for selecting members, terms of service defined to ensure rotation of service, Committee responsibilities, and procedures (including those for receiving and hearing faculty complaints) shall be specified in school Implementing Procedures. No more than fifty percent of the voting members will be appointed by the Dean and the remaining members of the Advisory Committee are elected by Plan members. All voting members of the Committee must have a faculty appointment. The Committee's functions shall include advising the Dean on:

- 1) Development of the school Implementing Procedures, including the

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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) 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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the Plan participant in his/her individual capacity and will not, absent prior approval from the President or the President's designee, be made to any professional corporation or other legal entity maintained by the Plan participant.

Generally, off-scale salaries are not awarded. No State funds shall be used for the portion of base salary that exceeds the Fiscal Year Salary Scales for the Plan member's rank and step or for optional University additional compensation as described at Section c, below. This portion of compensation shall be funded using Compensation Plan funds and other non-State funds in compliance with any related fund source restrictions.

**b.B. Base Salary (X and X') and Academic Programmatic Unit (APU)**

Base salary for an individual is the approved rate on one of the Health Sciences Compensation Plan Salary Scales, associated with that a faculty member's academic rank, step and assigned APU. academic programmatic unit. Base salary shall equal at least the approved rate on the Fiscal Year Salary Scale (HSCP Scale 0) for the faculty member's rank and step (X). The b Base salary is covered under the University of California Retirement Plan (UCRP) up to the amount permissible under Internal Revenue Code provisions law and in accordance with UCRP policy and provisions and regulations. Salary scales shall be assigned to academic programmatic units Plan participants' APU scale assignments shall be approved by the Dean and assignments may be changed in accordance with guidelines issued by the Chancellor-President. The differential between X (Scale 0) and the faculty member's APU is designated X-prime (X').

- 1) For the purpose of determining the Health Sciences Base Salary Rate, each Department shall establish at least one APU to which the faculty shall be assigned. An APU shall comprise faculty with similar clinical, teaching and research responsibilities. The Department Chair shall recommend an appropriate APU assignment for each member of the Plan, based on clinical, teaching and research responsibilities. Each APU shall be assigned to an HSCP Salary Scale, according to school Implementing Procedures.
- 2) In keeping with the responsibility of the University to ensure consistency of compensation by creation of APUs or assignment of faculty to APUs:
  - a) Deans are authorized to approve the faculty composition of each APU and assignment of a salary scale to that unit, subsequent to the Department Chair's recommendation.

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b) Deans must receive advance approval from the Chancellor or the Chancellor's designee for an APU comprising fewer than four members. The request for approval shall include the criteria for composition of the APU, and the name, series, rank, and step of each member.

c) An APU must remain at its assigned HSCP Salary Scale for at least one year before being assigned to a higher or lower scale.

d) An APU may move to a higher HSCP Salary Scale by a maximum of one scale per year. An APU typically moves down no more than one scale at a time.

No individual faculty member may be moved from one APU to another without a significant change in duties or a change in department. Department chairs shall report annually to the Dean the name of any faculty member who has moved from one APU to another and the reason for the transition.

### **C. Optional Additional Compensation**

School Implementing Procedures and department, division and/or APUs Local compensation procedures (that is campus, department, division and/or academic programmatic unit procedures) may provide for the payment of additional compensation. Prior to the implementation implementing or revision revising of local compensation Implementing Procedures, affected Plan participants and the Advisory Committee shall be afforded the opportunity to review and comment on the proposed Procedures. Local Implementing Procedures shall specify how additional compensation will be calculated, when it will may be paid, and the title(s) of person(s) authorized to approve individual compensation agreements. Additional compensation may be paid, in accordance with fund source restrictions, as follows:

1)- Negotiated additional compensation ("Y")

Plan members may receive a negotiated amount of additional compensation. This component of pay is beyond the base salary and is not covered compensation for the University of California Retirement Plan, but may be eligible for optional disability and life insurance programs where applicable, and for the Health Sciences Severance Pay Plan (HSSPP), as described at Section V.B.

2)- Incentive/Bonus compensation ("Z")

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Plan members may receive incentive/bonus compensation. This incentive/bonus compensation is not covered compensation for UCRP, the University of California Retirement Plan, but may be eligible for the Health Sciences Severance Pay Plan, as described at Section V.B.

Departmental Implementing Procedures will describe the manner in which faculty members within a department, division, or APU may earn incentive compensation beyond base and negotiated compensation, upon approval by the Dean.

#### 3) Administrative Stipends

Plan members may receive administrative stipends, defined as payments by the University for responsibilities related to University administration beyond normal responsibilities.

#### **D. Other Outside Miscellaneous Income Which May be Retained by Plan Members**

- a. 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.
- b. Certain categories of income accruing from occasional service, as described below, may be retained by Plan members. Department Implementing Procedures shall address whether members can deposit remuneration from miscellaneous outside activities into an academic enrichment account, and the terms and conditions for those accounts. The Department Chair and/or Dean shall monitor the frequency of individual activity in these areas:
  - 1) Income from occasional outside professional activity (other than patient care) in accordance with the Guidelines on Occasional Outside Professional Activities by Health Sciences Compensation Plan Participants issued by the President or the President's designee, School and campus Implementing Procedures, and APM – 025 (see also Appendix B);
  - 2) Prizes, defined as gifts in recognition of personal achievements and not for services rendered;
  - 3) Royalties, defined as shares of proceeds for contributions as authors or

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inventors, as allowed under the University's copyright and patent policies;:-

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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)7.-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 Chair~~person~~ 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.

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### **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)** **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 ~~I~~implementing ~~P~~rocedures must be consistent with these ~~G~~uidelines, 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 I~~implementing ~~P~~rocedures. In addition, as described ~~at Section H.C.5., in APM – 670-6-d of the Plan, an Advisory C~~ommittee which includes faculty representatives shall advise the Dean on ~~campus school I~~implementing ~~P~~rocedures 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 I~~implementing ~~P~~rocedures shall include ~~Guidelines requirements~~ on outside professional activities by ~~c~~ompensation ~~p~~lan ~~p~~articipants. The University-wide ~~S~~tandard ~~R~~equirement described ~~at H.B. in section b-2 below~~ shall apply to Plan participants unless an ~~A~~lternative ~~O~~ption is approved in accordance with ~~s~~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 s~~Section ~~H.C.4, b-3(d) below~~ are applicable in schools, departments or organized research units which operate under an ~~A~~lternative ~~O~~ption, but are not required in schools, departments or units which operate under the University-wide ~~S~~tandard ~~R~~equirement.

##### **2)B. University-wide Standard Requirement**

The University-wide ~~S~~tandard ~~R~~equirement 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 II.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 II.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 II.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 II.C.5. below) in accordance with campus procedures.~~

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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 II.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 II.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.<sup>1</sup> 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.

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<sup>1</sup>For example, under this provision, using the salary scales effective on 10/1/992011, 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 \$76,32064,840 (20 percent of \$381,600324,200) before having to request approval to engage in outside professional activities.

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;<sup>2</sup> 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

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<sup>2</sup>When 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.