



OFFICE OF THE VICE PROVOST --
ACADEMIC PERSONNEL

OFFICE OF THE PRESIDENT
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August 26, 2011

COUNCIL OF VICE CHANCELLORS
LABORATORY DIRECTOR ALIVISATOS
ACADEMIC COUNCIL CHAIR SIMMONS
ANR VICE PRESIDENT DOOLEY

Dear Colleagues:

Re: Systemwide Review of Proposed New Policy APM - 668, Negotiated Salary Program

Enclosed for systemwide review is a proposed new policy, APM - 668, Additional Compensation—Negotiated Salary Program. This policy has been developed from the June 2010 recommendations of the Joint Senate-Administration Compensation Plan Steering Committee. The Steering Committee agreed that a policy-based additional compensation program was needed to maintain University competitiveness in general campus faculty compensation. A history of policy development, questions and answers about the new policy, and four case studies are in the accompanying “Materials” document.

In response to a management consultation in late spring, the policy has been revised from an earlier draft to provide a flexible tool that is in line with existing University policies and aligned with external regulations. Background on these issues is provided in the “Materials” document. Please let me know if you need additional information or consultation as you review the proposed policy.

As this is a systemwide review of Academic Personnel policy, employees should be afforded the opportunity to review and comment on proposals, which are available online at: <http://www.ucop.edu/acadadv/acadpers/apm/review.html>. Enclosed is a model communication which can be used to inform non-exclusively represented employees affected by these proposals.

We would appreciate receiving your comments by November 18, 2011. Please submit your comments to me at susan.carlson@ucop.edu.

Sincerely,

Susan L. Carlson
Vice Provost
Academic Personnel

Enclosures:

- 1 - Draft policy, APM – 668
- 2 - “Materials on the proposed policy APM – 668, Negotiated Salary Program”
- 3 - Model Communication

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cc: President Yudof
Chancellors
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Vice Provosts - Academic Personnel
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Vice President Beckwith
Vice President Duckett
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Senior Counsel Van Houten
Systemwide Policy Director Capell
Director Saxton
Labor Relations Consultant Donnelly
Manager Lockwood

Materials on the proposed new policy APM – 668, Negotiated Salary Program (August 2011)

A. History of policy development and need for policy (pp. 1-2)

B. Frequently asked questions on APM – 668 (pp. 3-8)

C. Case studies (pp. 9-13)

A. History of policy development and need for policy

A.1.Follow-up on 2010 Taskforce report. The Negotiated Salary Program (NSP) is designed to be one of several efforts through which the University maintains its competitiveness in general campus faculty compensation.¹ Given the University of California’s limited and dwindling state salary resources, remaining competitive in the marketplace can be partially achieved by developing a more flexible compensation model for general campus faculty that, like the health sciences compensation plan, (1) uses non-State resources to compensate outstanding faculty where appropriate; (2) assures that the required mix of teaching, research and creative activities, and service remains; (3) provides incentives for particular achievements while still recognizing academic merit; and (4) offers consistent benefits and privileges to faculty. As noted in the June 2010 Joint Senate-Administration Compensation Plan Steering Committee report, the proposed policy “is seen as a relief valve on the pressures otherwise mounting through reliance on ad hoc use of retention requests, which would further consume constrained state funds and impinge on the UCRP” (see <http://www.ucop.edu/acadpersonnel/policy.html> for report and cover letter).

The current draft policy (APM - 668) has been developed from the June 2010 recommendations of the Steering Committee. While endorsing continued efforts to increase academic salary scales as a priority, the Steering Committee found increasing the scales alone to be an inadequate solution, especially for faculty working in the most market-sensitive areas. Thus, the committee agreed that a policy-based additional compensation program would be necessary to provide a common administrative framework within which a school or academic discipline could provide additional compensation to its faculty, based on a shared set of principles. In other words, NSP will be an augmentation to the merit-based step system and is designed for use in select situations.

This policy applies many of the principles guiding the current Health Sciences Compensation Plan (HSCP, APM - 670) to the situation of general campus faculty. The HSCP allows UC to award competitive salaries to Health Sciences faculty by drawing on a broad range of revenue funds, including clinical income as well as endowment earnings, grants, and contracts. However, the current draft of APM - 668 is structured on other UC Additional Compensation policies rather than on the HSCP, due to differences between general campus and health sciences faculty activities; for example, clinical responsibilities do not play a major role for most general campus faculty. This focus on existing Additional Compensation practices allows the NSP to be simpler than the HSCP.

¹ General Campus faculty refers to faculty who are NOT in the Health Sciences and not covered by the University’s Health Sciences Compensation Plan.

Finally, it should be noted that use of the policy will be a campus-by-campus decision and that the current role of faculty in evaluation and review is not altered.

A.2. Why the University's current compensation framework needs augmentation. The rank and step system is a central tenet of UC faculty compensation. University administration remains committed to the system and the Steering Committee's recommendation clarified the system's fundamental place in faculty salaries. The adoption of the NSP should be seen as an augmentation to the rank and step system, needed even in the welcome circumstance of regular increases to the faculty salary scales. In the near term, increases to the scales are likely to be modest at best, leaving them still inadequate in meeting market demands in many disciplines.

Under the current salary scales, in order to meet market conditions for many faculty, the University must offer larger and larger off-scale salaries (67% of ladder-rank faculty are currently off-scale). This mechanism (the award of ad hoc state-funded off-scale salary increases in response to external offers and market conditions) is reactionary, non-uniform, expensive, and sometimes counter-productive. In some disciplines, faculty are all but encouraged to entertain offers from competing universities as the only means to secure a market-based salary.

An additional increase in the current salary scales would begin to address this situation, but would not, by itself, fully address the issue of market competitiveness. Because market forces vary greatly by discipline, an across-the-board increase in the salary scales in isolation would not provide sufficient flexibility to meet all market conditions. But perhaps most important, addressing the salary lag via the salary scales alone does not tap the many sources of self-generated income to which various disciplines or individual faculty may have access.

Ironically, competition from within the UC system is also a stress on salaries. UC health sciences schools, because they have more flexibility in structuring salaries through HSCP, are becoming increasingly attractive to campus basic sciences faculty, who see the potential to earn considerably more under the HSCP. The NSP would allow basic scientists to have competitive salaries that are commensurate with those offered in the health sciences while remaining in their general campus departments.

The NSP will not solve all current salary challenges, but will contribute to UC competitiveness. The proposed NSP would provide a more uniform approach to competitive salaries than currently exists on the general campuses, while still allowing campuses to decide whether or not to participate. In summary, the NSP will:

- help to reduce reliance on diminishing State-appropriated funds for market-driven salary costs (but not base salary costs);
- utilize appropriate State and non-State resources to support competitive faculty compensation;
- allow the campuses to compensate faculty at closer to market-competitive levels when this can be achieved using non-State-appropriated funds;
- demonstrate a commitment to high achieving faculty by rewarding significant contributions to the University mission including generation of non-State-appropriated funds to support faculty activities;

- improve salary satisfaction for highly marketable faculty, for whom additional scarce State resources would otherwise be required to fund retention counteroffers;
- encourage an entrepreneurial spirit while facilitating the achievement of school, college, department and/or individual goals.

B. Frequently asked questions on APM - 668

- 1. Who would use this program?** This is difficult to estimate accurately, since the NSP involves at least three kinds of funding for faculty efforts: gifts and endowments, professional fees and fees in self-supporting programs, and faculty who can put academic year effort on contracts and grants. University-wide, there are over 4700 endowments that support departments, chairs and professorships, and research. Some of these endowments allow for salary funding while others will not. For faculty with sustained efforts on contracts and grants, campus Vice Provosts estimate that a few hundred faculty would have the kind of support needed to take part in the program, since they would be likely to fund their summer research efforts first. Faculty participation in the Furlough Exchange Program also suggests that a portion of the faculty with external funding of various kinds do have flexibility in funds that can support salary; NSP would allow them to take advantage of this flexibility. The University has a growing number of Professional Degree Supplemental Tuition (PDST) programs, and faculty members teaching in them might choose to take part in the NSP. Some of UC's professional schools have a history of supporting base faculty salaries through tuition/professional fees, and this program would not replace current funding situations (although it would potentially give schools additional flexibility to meet salary needs in the future). We understand that some campuses may choose not to adopt the NSP at all; these are generally campuses that do not already have the HSCP.
- 2. Why doesn't the University just raise the salary scales and reward all faculty for performing their duties through difficult budget times?** Through ongoing efforts, the President is working to increase faculty salaries. The Board of Regents has already approved a 3% salary increment for 2011-12, and the President has just announced details of this salary program. The President is also developing a 5-year budget plan with a built in assumption that faculty salaries will need to go up 3% annually, in addition to the 1.78% allocated to merit and advancement reviews. The NSP would be a salary tool to be used in addition to these salary processes.
- 3. Doesn't the University have other ways to accomplish the goals of the NSP?** The NSP encourages faculty to engage in activities which bring external support to the University, thus creating more flexibility in financing faculty work. UC joins other public and private institutions that are raising their endowments, establishing fee-generating professional programs, and encouraging faculty to support their efforts through external grants. The NSP would create a common administrative framework and shared set of principles and practices for managing external funds that support faculty work.

4. What do federal funding agencies say about salary and compensation? Faculty and administrators developing the NSP have recognized that the program must be in compliance with federal regulations, and the program has been designed with such regulations in mind. The following are the most relevant standards, which should be taken into account by participating units in designing their implementation plans.

a) **OMB circular A-21.** “Cost Principles for Educational Institutions” (OMB Circular A-21) sets out the principles that universities must use in determining costs that may be charged to federal grants, contracts, and other agreements. Under OMB Circular A-21, costs charged to federal grants must be reasonable, allocable, and consistently applied:

http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a21.pdf

“The tests of allowability of costs under these principles are: they must be reasonable; they must be allocable to sponsored agreements under the principles and methods provided herein; they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.” (See 2 CFR 220, Appendix A, Part C.2, Factors Affecting Allowability of Costs)

With respect to consistency, OMB Circular A-21 notes that:

“Major considerations involved in the determination of the reasonableness of a cost are: . . . the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.” (See 2 CFR 220, Appendix A, Part C.3, Reasonable Costs)

Under OMB Circular A-21, compensation is allowable as a direct cost (see 2 CFR 220, Appendix A, Part D.2). Details regarding the calculation of compensation that may be permissibly charged to federal grants are set out in Section J.10, including specific provisions relating to “Salary rates for faculty members”:

“(1) Salary rates for academic year. Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member's regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution.” (See 2 CFR 220, Appendix A, Part J.10.d)

- b) **National Institutes of Health.** The National Institutes of Health (NIH) Grants Policy Statement (http://grants.nih.gov/grants/policy/nihgps_2010/index.htm) specifies the following with regard to “Institutional Base Salary,” and “Salary and Wages”:

Definition of Institutional base salary: “The annual compensation paid by an organization for an employee's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. Base salary excludes any income that an individual may be permitted to earn outside of duties for the applicant/grantee organization. Base salary may not be increased as a result of replacing organizational salary funds with NIH grant funds.” (See NIH Grants Policy Statement, Part I, Section 1.2, Definition of Terms)

http://grants.nih.gov/grants/policy/nihgps_2010/nihgps_ch1.htm#definitions_of_terms

“Selected Items of Cost: Salaries and Wages: Allowable. Compensation for personal services covers all amounts, including fringe benefits, paid currently or accrued by the organization for employee services rendered to the grant-supported project. Compensation costs are allowable to the extent that they are reasonable, conform to the established policy of the organization consistently applied regardless of the source of funds, and reasonably reflect the percentage of time actually devoted to the NIH-funded project. Direct salary is exclusive of fringe benefits and F&A costs.” (See NIH Grants Policy Statement, Part I, Section 7.9.1)

http://grants.nih.gov/grants/policy/nihgps_2010/nihgps_ch7.htm#selected_cost_items

A 2005 Q&A document for Health Sciences prepared by the Association of American Medical Colleges, in consultation with NIH personnel, elaborated on these issues:

“Question: In what circumstances can an institution increase a faculty member's existing Institutional Base Salary based on receipt of a new grant award that provides support to the faculty member's salary?”

“Answer: Grant funds can replace, not increase, a faculty member's salary. A-21 requires that to be allowable, a cost has to be, among other things, reasonable. And “reasonable” includes being consistent with established institutional policies that are applicable to the work of the institution generally, including sponsored agreements – not just sponsored agreements. In other words, institutional policies cannot provide for salary increases based only on receipt of federal grant support.

“To repeat, an institution can't increase salary simply because part or all of the effort is now charged to a Federal award, assuming that the duties are essentially the same. Institutions can adjust compensation based on past performance and current responsibilities if the adjustment is done on a consistent basis, regardless of the source of support. Therefore, the faculty member's IBS can be reevaluated the next time these levels are set by the institution.” February 10, 2005.

<http://research.fiu.edu/effort/documents/aamcEffortReporting.pdf>).

- c) **The National Science Foundation.** The National Science Foundation (NSF) Proposal and Award Policies and Procedures Guide (<http://www.nsf.gov/pubs/policydocs/pappguide/nsf11001/index.jsp>) states:

“NSF regards research as one of the normal functions of faculty members at institutions of higher education. Compensation for time normally spent on research within the term of appointment is deemed to be included within the faculty member’s regular organizational salary.

“As a general policy, NSF limits salary compensation for senior project personnel to no more than two months of their regular salary in any one year. This limit includes salary compensation received **from all NSF-funded grants**. This effort must be documented in accordance with the applicable cost principles. If anticipated, any compensation for such personnel in excess of two months must be disclosed in the proposal budget, justified in the budget justification, and must be specifically approved by NSF in the award. These same general principles apply to other types of non-academic organizations.

“NSF award funds may not be used to augment the total salary or salary rate of faculty members during the period covered by the term of faculty appointment or to reimburse faculty members for consulting or other time in addition to a regular full-time organizational salary covering the same general period of employment. Exceptions may be considered under certain NSF programs, e.g., science and engineering education programs for weekend and evening classes, or work at remote locations. If anticipated, any intent to provide salary compensation above the base salary must be disclosed in the proposal budget, justified in the budget justification, and must be specifically approved by NSF in the award budget.”

See NSF Proposal and Award Policies and Procedures Guide, Part I, Section II.C.2.g (i) (a), Senior Project Personnel Salaries & Wages Policy; and Part II, Chapter V. B.ii(a), Senior Project Personnel Salaries and Wages.

http://www.nsf.gov/pubs/policydocs/pappguide/nsf11001/gpg_2.jsp#IIc2gi

“All remuneration paid currently or accrued by the organization for employees working on the NSF-supported project during the grant period is allowable to the extent that:

“(a) total compensation to individual employees is reasonable for the work performed and conforms to the established policy of the organization consistently applied to both government and non-government activities.”

See NSF Proposal and Award Policies and Procedures Guide, Part II, Chapter V.B.1.a(i), Salaries and Wages, All Grantees

http://www.nsf.gov/pubs/policydocs/pappguide/nsf11001/aag_5.jsp#VB1a

Summary on question #4. Applicable rules vary by funding agency and contract/grant. Several features of the proposed policy are designed with these requirements in mind: the eligibility criteria that considers factors beyond the availability of contract and grant funds, uniform application of the negotiated salary rate across all fund sources, and the adherence to an annual or two-year NSP (which will remain in effect regardless of whether the faculty member obtains new or retains previously obtained external funding). This draft policy has been reviewed by Financial Accounting, the Office of General Counsel, and the Office of Research and Graduate Studies. The Office of the

President recognizes that this new compensation policy reconceives some long-standing processes in the management of general campus salary.

- 5. What restrictions are there on such a program, either through funding agencies and foundations or internal policy?** The awarding of salary must be in line with UC policy, gift and endowment memoranda of understanding, contract and grant award terms, and federal and state regulations. See answer to Question #4 for excerpts of the most applicable federal policy.
- 6. What is the relationship of this program to the Health Sciences Compensation Plan (HSCP) in APM - 670? Why can't that program just be used in select departments?** The HSCP demands that all faculty in a participating school take part, on the assumption that they are all taking part in duties that include generation of external funds (clinical funds, grants and contracts, consulting, etc.). While this model might be appropriate for a few general campus departments or sub-disciplines, it would not work for most of the faculty who will participate in NSP, who may be part of a small group in their department or school who participate. Many of the principles of the HSCP have helped the University develop the NSP, however. A key factor driving the creation of the NSP is that on several UC campuses with Health Sciences schools, general campus faculty are considering appointments in the health sciences, often due to the flexibility of the salary benefits.
- 7. Do other universities have similar programs?** Our peer universities, both public and private, have or are developing programs that encourage faculty members to engage in activities that generate external funding for the university. More than in the past, faculty members are encouraged to put academic year research effort on contracts and grants. Our competitors are developing programs that allow faculty salaries to be paid, in part, through endowments, contracts and grants, and special course fees (Executive MBA programs and other professional graduate degrees in particular). Private Universities are doing more than in the past to encourage faculty members to put research effort on contracts and grants and are offering back to the faculty member professional development funds out of the base salary that has been replaced. The faculty member usually retains a portion but not usually all of the released funds. Public institutions have more varied policies and practices, which often vary by college within the institution. Some have faculty on less than 100% appointments with the assumption that the faculty member will put the remaining percent of time on external funds, including endowments and contracts. Some allow indirect cost dollars to support department or individual faculty members' research activities as well as salary increments.
- 8. Why are the dates of participation always fixed to begin on July 1 and run for a full fiscal year?** The NSP is not a "bonus" program for one-time actions, but a program that allows for a negotiated salary component based on several factors. To be in compliance with sound accounting practices, the salary must be negotiated for an entire year.

- 9. Why is there a “contingency fund contribution” for those who participate in the program? How would it be used?** The program allows a campus to set a standard contingency fund contribution to cover the costs of negotiated salaries in unforeseen situations: the illness of the faculty member, the discontinuation of a contract, reduction in endowment earnings or fees. Some campuses may choose to administer the program and this contingency fund at the school level.
- 10. Are fiscal year faculty eligible?** Yes, and this program allows faculty on a fiscal-year salary a new flexibility to contribute to their own compensation through their professional activities.
- 11. What is the effect of the NSP on faculty consulting activities?** The NSP does not change general campus faculty members’ obligations to have consulting approved and reported in accordance with APM – 025. Consulting income is not a part of the NSP.
- 12. What is the University policy about putting effort on endowments, course fees, and contracts and grants?** Several APM policies govern the relationship between faculty salaries and fund sources, and these are different for ladder-rank faculty titles than for other faculty titles. See APM – 190 (Appendix F), APM – 191-D-2 & D-5, APM – 220 (Appendix A), APM 660, and APM – 667. See also APM 270, 275, 278, 280, and 670.
- 13. What is the plan for adding a “defined contribution” component to the negotiated salary component?** Human Resources at UCOP is developing policy to put the negotiated salary component under a defined contribution retirement plan, similar to the current plan for summer salary. The employer’s contribution to the defined contribution plan will be the funding source.
- 14. Why is there so much review? Couldn’t this be simpler?** The common administrative framework of the NSP is needed to ensure that the NSP program meets University policy for the awarding of salary.
- 15. When could this plan be available for faculty participation?** If the NSP is approved, a participating campus will need to develop a local implementation plan (see 668 – 10). Depending on the approval date, it may be possible for campuses to begin programs for fiscal year 2013.

C. Case studies

The following are four examples of how individual faculty members might participate in the Negotiated Salary Program.

C. 1. Basic Assumptions for APM 668 case studies (apply to all four cases):

The campus Chancellor has decided that the campus will participate in the program.

Campus implementation plan includes a mandatory contribution of 3% of professorial base salary (released state FTE funds) to the contingency (or reserve) fund. This amount has been determined by the Chancellor/Executive Vice Chancellor. In these examples, the contingency fund is set at a campus level. It may be set at a School level.

The Chancellor/EVC has also determined that no faculty member will be permitted to negotiate more than 25% of base salary. This percentage is established on an annual basis.

Faculty member meets all good standing, teaching, and funding requirements for participation as outlined in approved campus implementation plan.

All examples assume that the various funding sources cited allow the use of funds for salary support and permit rebudgeting, if rebudgeting is necessary. The examples also assume that there are no other applicable federal restrictions (i.e. that the proposed salary will not exceed the NIH funding caps and that the proposed salary complies with NSF support limits).

The covered salary (scale rate + off-scale) is considered UCRP covered compensation. The negotiated salary component is eligible for a special DCP contribution. Summer salary is eligible for a special DCP contribution.

All figures noted below are gross salary calculations and do not reflect the net salary after taxes and other deductions. Additional benefits costs due to plan participation are not reflected.

C. 2. Assumptions about faculty in case studies

Cases A – C:

Participant is an academic-year Professor, Step 5, off-scale

Covered Salary = \$108,000 (Scale rate of \$103,300 + off-scale component of \$4,700)

Summer compensation pay rates (excluding Summer Session) are based on the total annual salary in effect on July 1. Thus, the total negotiated salary will be used as the basis for calculating summer salary resulting in an increase to the 1/9th monthly rate. When a new total negotiated salary amount is implemented, the summer salary will be reconfigured to reflect the increased annual salary rate which will be charged to appropriate fund sources.

Case D:

Participant is a fiscal-year Professor, Step 5, off-scale

Covered Salary = \$124,500 (Scale rate of \$119,800 + off-scale component of \$4,700)

CASE A

Professor Alicia Alvarez holds the Franklin Endowed Chair in Counseling Psychology which generates \$12,000 in funds that may be used towards salary in accordance with the endowed chair MOU. She also has a research grant from which she will earn 1/9th summer salary for additional research performed in July.

Compensation Before Participation	\$ Amount
Scale rate + off-scale	108,000
1/9 th summer salary	<u>+12,000</u>
<i>Total Annual Compensation</i>	<i>120,000</i>

Contingency Fund Calculation	\$ Amount
(from professorial base, 19900 funds)	
Base salary rate + off-scale	108,000
Contingency fund contribution (3%) (rounded to 3,200)	<u>-3,200</u>
<i>Adjusted base salary (rounded to 104,800)</i>	<i>104,800</i>

Total Negotiated Salary Calculation	\$ Amount
Adjusted scale rate + off-scale	104,800
Replacement base salary (Endowment)	<u>+ 3,200</u>
Base salary	108,000
Negotiated salary component (12,000 – 3,200, rounded)	<u>+ 8,800</u>
<i>Total Negotiated Salary</i>	<i>116,800</i>

Compensation After Participation	\$ Amount
Total Negotiated Salary	116,800
1/9 th summer salary at negotiated rate (rounded)	<u>+13,000</u>
<i>Total Annual Compensation</i>	<i>129,800</i>

INCREASE IN TOTAL ANNUAL COMPENSATION: \$9,800

CASE B:

Professor Bob Borden agrees to teach in a week-end professional interdisciplinary degree program. Estimated fees of \$15,000 are generated by the course he will teach on an overload basis. He decided to use \$10,000 of this in to participate in the NSP. In addition, he received an NEH summer award in the amount of \$20,000 (flat-rate).

Compensation Before Participation	\$ Amount
Scale rate + off-scale	108,000
Summer salary (NEH award)	<u>+20,000</u>
<i>Total Annual Compensation</i>	<i>128,000</i>

Contingency Fund Calculation	\$ Amount
(from professorial base, 19900 funds)	
Base salary + off-scale	108,000
Contingency fund contribution (3%) (rounded to 3,200)	<u>-3,200</u>
<i>Adjusted base salary (rounded to 104, 800)</i>	<i>104,800</i>

Total Negotiated Salary Calculation	\$ Amount
Adjusted scale rate + off-scale	104,800
Replacement base salary (Fees)	<u>+3,200</u>
Base salary	108,000
Negotiated salary component (10,000 – 3,200, rounded)	<u>+6,800</u>
<i>Total Negotiated Salary</i>	<i>114,800</i>

Compensation After Participation	\$ Amount
Total Negotiated Salary	114,800
Summer salary (NEH award)	<u>+20,000</u>
<i>Total Annual Compensation</i>	<i>134,800</i>

INCREASE IN TOTAL ANNUAL COMPENSATION: \$ 6,800

CASE C

Professor Colleen Carter is in the biological sciences and has a robust research program. She has additional funding of \$25,000 available throughout the year from two grants. Professor Carter has decided to use \$20,000 and report appropriate effort (previously uncharged) to one of her research accounts. She also has sufficient funding for 3/9ths summer salary (reconfigured based on the total negotiated salary 1/9th rate) that is funded from grants and an endowment account.

Compensation Before Participation	\$ Amount
Scale rate + off-scale	108,000
3/9 th summer salary	<u>+36,000</u>
<i>Total Annual Compensation</i>	<i>144,000</i>

Contingency Fund Calculation	\$ Amount
(from professorial base, 19900 funds)	
Base salary + off-scale	108,000
Contingency fund contribution (3%) (rounded to 3,200)	<u>-3,200</u>
<i>Adjusted base salary (rounded to 104,800)</i>	<i>104,800</i>

Total Negotiated Salary Calculation	\$ Amount
Adjusted scale rate + off-scale	104,800
Replacement base salary (Grants/Endowment funds)	<u>+3,200</u>
Base salary	108,000
Negotiated salary component (20,000 – 3,200 rounded)	<u>+16,800</u>
<i>Total Negotiated Salary</i>	<i>124,800</i>

Compensation After Participation	\$ Amount
Total Negotiated Salary	124,800
3/9 th summer salary at negotiated rate (rounded)	<u>+41,600</u>
<i>Total Annual Compensation</i>	<i>166,400</i>

INCREASE IN TOTAL ANNUAL COMPENSATION: \$ 22,400

CASE D

Professor Darin Dhang is a fiscal year professor in agronomy. He has an industry grant on which he can put one month salary, reporting the appropriate effort, during the fiscal year (equivalent to \$10,375 rounded to \$10,400).

Compensation Before Participation	\$ Amount
Scale rate + off-scale	124,500
<i>Total Annual Compensation</i>	<i>124,500</i>

Contingency Fund Calculation (from Professorial base, 19900 Funds)	\$ Amount
Base salary + off-scale	124,500
Contingency fund contribution (3%) (rounded to 3,700)	<u>-3,700</u>
<i>Adjusted base salary</i> <i>(rounded to 120,800)</i>	<i>120,800</i>

Total Negotiated Salary Calculation	\$ Amount
Adjusted Scale Rate + off-scale	120,800
Replacement base salary (Industry grant)	<u>+3,700</u>
Base salary	124,500
Negotiated salary component (10,400-3,700 rounded)	<u>+6,700</u>
<i>Total Negotiated Salary</i>	<i>131,200</i>

Compensation After Participation	\$ Amount
Total Negotiated Salary	131,200
<i>Total Annual Compensation</i>	<i>131,200</i>

INCREASE IN TOTAL ANNUAL COMPENSATION: \$6,700

August 2011

668-0 Policy

The Negotiated Salary Program (NSP) allows the University to provide additional compensation to faculty who are in Good Standing. Faculty will participate in the program for (renewable) periods of one to two years, based on an annual review process. NSP supplements the salary (rank, step, off-scale) determined in accordance with the academic review process for faculty.

668-2 Purpose

The purpose of the Negotiated Salary Program is to provide a common administrative framework within which participating units (schools, colleges, or departments) can compensate faculty according to the competitive requirements of academic disciplines. Specific goals of this Program are:

- a. To leverage non-state-appropriated funds to recruit and retain outstanding faculty.
- b. To encourage the appropriate mix of teaching, research, and service activities of the quality required by the University of California.
- c. To provide incentives that encourage and recognize significant contributions to the University mission.
- d. To offer consistent benefits and privileges to general campus faculty.

668-4 Definitions

- a) **Total Negotiated Salary:** The total negotiated salary will be comprised of the covered salary (for rank and step plus any off-scale component) and a negotiated salary component. Negotiations will be conducted annually to determine an individual's total negotiated salary for the following NSP period;

these discussions begin with the participating faculty member and the department chair and recommendations are forwarded to other reviewers as outlined in 668-6.

The scale and off-scale component are covered under the University of California Retirement Plan (UCRP) up to the amount permissible under law and in accordance with UCRP provisions and regulations. The negotiated component of salary is not covered compensation under UCRP but may be subject to an employee/employer matching contribution to the University's Defined Contribution Plan (DCP). [A DCP process for NSP is being developed during fall 2011.] All compensation paid by the University under the NSP will be subject to Federal and State withholding and reported on a W-2 form as wages in accordance with IRS regulations and University policies and procedures.

- b) **External Funding:** For the purposes of this policy, external funding refers to any non-state-appropriated funds, such as (but not limited to) endowment or gift income, professional degree fees, self-supporting degree fees, and contract and grant support. Campus implementation plans will detail which external funding sources can be used in support of this program.
- c) **Good Standing:** The definition of Good Standing includes, but is not limited to, meeting teaching, research, and service obligations as defined by the unit implementation plan, and compliance with all applicable University policies, procedures, and training requirements.

668-6 Responsibility

The overall goals of the program are to position the institution to excel and to increase flexible funding for the units involved. Responsibility for the excellence that generates non-state-appropriated funds rests at all levels.

- a) Faculty members are responsible for remaining in Good Standing and for exemplary contributions to the University mission, e.g. external recognition, research dissemination, educational innovation, and the generation of non-state-appropriated funding to support faculty activities. To participate, faculty members submit a proposal to the department chair.
- b) Department chairs are responsible for evaluating faculty proposals and for verifying that faculty members are making significant contributions to the University mission.
- c) Review of a total negotiated salary is determined according to campus policy and practice and may include review by the Committee on Academic Personnel (CAP), in accordance with established campus practice.
- d) Deans are responsible for reviewing and endorsing individual faculty proposals and for assuring that appropriate resources are available for the total negotiated salary. The dean is responsible for determining whether a faculty member is in Good Standing after input from the department chair and the faculty member. Any faculty member who is determined not to be in Good Standing must be provided with written information regarding how to return to Good Standing.
- e) Executive Vice Chancellors/Provosts are responsible for approving faculty proposals. This authority may be re-delegated.
- f) Chancellors are responsible for managing the negotiated salary program at the campuses. This authority may be re-delegated.

668-10 Criteria

a) **Implementation Plans**

An implementation plan must be developed and approved for each participating unit and its faculty. Implementation plans will include a limit on the percent of salary for the total negotiated salary and the percent required to establish the contingency fund, in addition to the following:

1. Process and timing for soliciting, receiving, and reviewing faculty proposals.
2. Process for evaluating faculty proposals.
3. Method for predicting and defining the appropriate stability of the Program.
4. Management of the contingency fund that supports the Program.
5. Process for consulting with faculty on the development of Good Standing criteria.
6. Approval hierarchy.
7. Notification and documentation process.

b) **Determination of the Total Negotiated Salary**

The total negotiated salary for each faculty member will be recommended by the appropriate dean after consultation with the department chair and before or after consultation with CAP (on campuses where CAP has input into salary

recommendations). Each proposed total negotiated salary must be based on past performance and current responsibilities. It is not based solely on the availability of funds. See APM - 668-6 for approval responsibilities.

The funding must be derived from a stable source, paid in accordance with any related fund source restrictions, and sufficient to include the related benefits costs. The funding source(s) must be secured or scheduled by June 30 of the year prior to implementation of the total negotiated salary.

c) Maintenance of the Total Negotiated Salary

Total negotiated salaries are effective for a one- or two-year period corresponding with the University fiscal cycle of July 1 - June 30. Once a total negotiated salary has been implemented it must be maintained for that period. No changes or retroactivity may be approved. Even when State funds are released and effort is supported by external funds, in no case will a faculty member's State-funded covered salary be permanently reduced as a result of participation in this Program.

d) Regular Duties

Participation in this program may not disrupt the required balance in duties or otherwise negatively impact a faculty member's regular research, teaching or service obligations. Teaching done as a part of the standard course load would not make a faculty member eligible for the NSP.

668-14 Eligibility

Faculty members who are in Good Standing are eligible to apply for participation in the Negotiated Salary Program provided all other conditions of the campus plan are

met and provided their unit has a plan. Faculty members who are participating in the Health Sciences Compensation Plan may not participate. A participating unit may adopt the plan for all faculty members through a process established in the implementation plan document.

668-16 Limitations

External consulting and other externally compensated activities are permitted in accordance with APM - 025, Conflict of Commitment.

The Chancellor must establish a campus or school maximum percent of total negotiated salary and the percent required to establish the contingency fund.

If a faculty member transfers from one UC campus to another, s/he must renegotiate his/her salary according to the implementation plan at the new campus.

668-24 Authority

The Chancellor has authority to determine whether the campus will participate in the Negotiated Salary Program after consultation with the campus Academic Senate and Executive Vice Chancellor/Provost.

The Chancellor has authority to approve NSP implementation plans and any modifications or limits to the total negotiated salary component.

The above authority may be re-delegated.

668-96 Reports

This policy will be evaluated by the Office of the President at the end of three years to ensure that its goals are being met.