

## PAYROLL: HEALTH SCIENCES COMPENSATION

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Payroll: Health Sciences Compensation

I. INTRODUCTION

This chapter sets forth the procedures for payment of compensation and benefits authorized under the Health Sciences Compensation Plan (Plan), approved by The Regents on July 15, 1999 (see Appendix). (This Plan consolidates and replaces both the General Health Sciences Compensation Plan (GHSCP) and the Medical School Clinical Compensation Plan (MSCCP).) The regulations included in the Plan provide a consistent policy framework for the development of operating procedures at each participating health sciences school. Local implementing procedures for administering the Plan are developed by the Chancellors at each campus, in consultation with the Deans and appropriate Academic Senate Committees, and submitted to the President for approval.

Campus procedures may be more, but not less restrictive than those outlined in the Plan.

II. GENERAL

The Plan establishes a uniform policy to govern compensation arrangements and to account for the Plan income of the majority of health sciences faculty formerly covered under the MSCCP and the GHSCP. Individuals in the Schools of Medicine, Dentistry, Nursing, and Pharmacy are eligible to participate in the Plan, regardless of whether they have patient care responsibilities. Additional faculty groups may be included in the Plan at the discretion of the President.

Some of the key provisions of the Plan are as follows:

- Specialized health sciences salary scales are used to establish base pay for Plan members and associated

covered compensation for the University of California Retirement Plan (UCRP).

- Faculty members are eligible for optional additional compensation (Y) and (Z).
- Plan members are permitted to retain other types of miscellaneous income, in accordance with the Plan and established University policies.
- The Income Limitation Arrangement requirement of the MSCCP has been eliminated, except as provided in Appendix A of the Plan.
- Professional incorporation (including single member), partnership, or any other arrangement for other types of separate entity by Plan members for the provision of professional health care is not permitted without the written approval of the President.

### III. COMPENSATION COMPONENTS

Faculty members participating in the Plan shall receive a base salary (X), may be eligible for optional additional compensation (Y and Z) (see Sections A and B below), and are permitted to retain other miscellaneous income, as specified in Section C below.

#### A. BASE SALARY

Base salary (X) for a Plan member is the approved rate on one of the Health Sciences Compensation Plan Salary Scales associated with the individual's academic rank, step, and Academic Programmatic Unit (APU).

***State funds shall not be used for the portion of base salary (X) that exceeds the Fiscal Year Salary Scales for the Plan member's rank and step or for optional additional compensation, as described in Section B below.***

III. COMPENSATION COMPONENTS (Cont.)

B. OPTIONAL ADDITIONAL COMPENSATION

Under local compensation procedures, faculty members participating in the Plan may be eligible for additional compensation. Local procedures specify how additional compensation is authorized, calculated, and paid. **Such compensation must be paid in accordance with fund source restrictions, as required under the Plan.** Optional additional compensation includes the following two components:

- Negotiated Additional Compensation (Y)

The "Y" component of a faculty member's compensation is a negotiated amount beyond the member's base salary.

- Incentive/Bonus Compensation (Z)

The "Z" component is professional-fee based incentive/bonus compensation beyond both X and Y.

*Total compensation for any Plan participant that is greater than four times the highest step on the Professor Series Fiscal Year Salary Scales must be reported to the President by the Chancellor. The President is required to report such information to The Regents.*

See Sections V, UCRS Coverage, and VI, Benefits, for information on covered compensation and benefits related to income from the compensation arrangements described above.

C. MISCELLANEOUS INCOME

Plan members may also retain income from occasional services, prizes, and royalties, as described below:

**Non-University Sources**

- Income from occasional outside professional activities (**other than patient care**), in accordance with Office of the President (OP) Guidelines and campus implementing procedures. (See Section IV, Outside Professional Activities, for more information.)
- Prizes, given in recognition of personal achievement, not for services rendered.
- Royalties, as allowed under the University's copyright and patent policies.
- Honoraria from agencies outside the University, for occasional lectures and public appearances beyond normal academic responsibilities.
- Income from a profession or activity unrelated to the individual's University employment.

**University Sources**

- University honoraria, for occasional lectures and similar services as permitted by the Academic Personnel Manual.
- Administrative stipends, for responsibilities related to University administration beyond normal academic responsibilities.

For information on the tax treatment of miscellaneous income payments, refer to the following Accounting Manual chapters:

[D-371-12.1](#), Disbursements: Accounting for and Tax Reporting of Payments Made through the Vendor System  
or

III. COMPENSATION COMPONENTS (Cont.)  
C. MISCELLANEOUS INCOME (Cont.)

[P-196-11](#), Payroll: Accounting For and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions.

IV. OUTSIDE PROFESSIONAL ACTIVITIES

All income generated by Plan members for professional services must be managed by, accounted for, and reported as revenue of the University, except income from activities specified in Section III.C, Miscellaneous Income. Income from occasional outside professional activities, ***other than patient care***, may only be retained in accordance with the OP Guidelines on Occasional Outside Professional Activities by Health Sciences Compensation Plan Participants (see Appendix) and with local implementing procedures. Under the Guidelines, Plan participants are allowed to retain payments for 21 days of certain limited types of services annually, unless the local implementing procedures modify the standard to allow additional types of income and/or income from more than 21 days of service to be retained. Plan participants are subject to various other requirements, including a maximum annual outside professional earnings approval threshold. The maximum threshold is \$20,000 or 20% of the Health Sciences Compensation Plan salary scale for an individual faculty member's rank, step, and APU, whichever is greater. Local procedures may set lower limits.

V. UCRS COVERAGE

A. GENERAL

A Plan member's base salary (X) is covered under UCRP up to the amount permissible under law and in accordance with UCRP provisions and regulations. Negotiated additional compensation (Y) and

incentive/bonus compensation (Z) are **not** considered covered compensation for UCRP. Income from any of the categories listed in Section III.C, Miscellaneous Income, is not considered covered compensation for UCRP, except for the following types of administrative stipends:

- Compensation paid for added responsibilities to a faculty chairperson, vice-chairperson, or acting chairperson of a department of instruction and research and to those who hold equivalent academic positions in equivalent departments.
- Compensation paid for administrative service of one or two months in the summer to chair persons or vice-chair persons or acting chair persons of a department who are on an academic year appointment.

Refer to UCRP Regulation 2.13, Covered Compensation, for more information.

#### B. SPLIT APPOINTMENTS

Faculty membership in UCRP currently requires a University appointment of at least 50% for one year or longer. However, many Plan members hold joint appointments between the University of California and another University-affiliated health care facility, such as the Veterans' Administration (VA). Since UCRP benefits only cover wages earned at the University, and not those paid by another institution or facility, the following methodology is used to determine whether joint appointees are eligible for UCRP membership:

- To determine the University appointment percentage, the *ratio of University-paid compensation* is applied to the full-time base salary for the faculty member's applicable rank, step, and APU.

V. UCRS COVERAGE (Cont.)  
B. SPLIT APPOINTMENTS (Cont.)

- If the ratio is 50% or greater and the appointment is for one year or longer, the faculty member will become a member of UCRP and earn service credit in proportion to the appointment percentage.

Thus, the *actual* percentage of the appointment is not considered in the calculation. For example, the base pay of a faculty member with a split appointment is \$60,000 and has a base salary (X) of \$100,000 (for a 60% appointment). The faculty member is eligible for UCRP membership and earns 60% service credit in UCRP, because he or she is considered to have a 60% University appointment ( $\$60,000/\$100,000$ ) for UCRP purposes.

***If a faculty member is paid more than the base salary (X), he or she may not earn more than 100% service credit under UCRP. In addition, in all cases the appointment percentage must be reasonable.***

C. HEALTH SCIENCES COMPENSATION PLAN RESERVE FUND

The revisions to the Uniform Medical School Compensation Plan, approved by The Regents in November 1993, included new salary scales, developed to provide greater retirement benefit coverage of Plan members' base salary. To partially offset the increased liability to UCRP due to the additional covered compensation, each health sciences location contributes a monthly allocation to the Health Sciences Compensation Plan Reserve Fund, an escrow account held at OP. This allocation assessment is determined and recorded as follows:

**Allocation Factor.** The allocation factor is equal to UCRP's normal cost percentage for the preceding year, as adjusted mid-year.



**Effective Date.** The allocation factor is determined annually based on the actuarial valuation of UCRP for the July/June plan year. This factor is submitted to The Regents in November of each year for implementation the following January.

**Assessment.** The monthly allocation assessment is determined by multiplying the allocation factor by the additional covered compensation above the current maximum scale of 1.3 of base salary for eligible health sciences faculty.<sup>1</sup>

**Campus Billing.** The OP General Accounting Office calculates the required monthly allocation assessment and sends a monthly journal to each health sciences location. Object code 8620, Health Sciences Compensation Reserve, is used to record the additional employee benefit cost. A report detailing the covered gross payroll by employee is attached to the journal.

## VI. OTHER BENEFITS

Benefits must be provided in accordance with policies and/or guidelines issued and approved by OP.

### A. BASE SALARY-RELATED BENEFITS

In addition to participation in UCRP, Plan members are eligible for health care insurance, disability insurance, and regular term life insurance. Base salary related benefits are associated with an individual's salary from one of the Health Sciences Salary Scales. Additional benefits may be approved by The Regents.

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<sup>1</sup> The Internal Revenue Code Section 401(a)(17) limit for the Plan year beginning July 1, 2001 remains at \$170,000 for employees who became UCRP members after June 30, 1994, but is increased to \$285,000 for employees who became active members of UCRP prior to July 1, 1994.

VI. OTHER BENEFITS (Cont.)

B. OPTIONAL BENEFITS ON ADDITIONAL COMPENSATION

The Regents have authorized optional benefits on additional compensation beyond a Plan member's base salary, including participation in disability and life insurance programs approved by OP Employee Benefits/Human Resources and the Health Sciences Severance Pay Plan administered by the Provost and Senior Vice President--Academic Affairs.

C. PAID LEAVE

Eligible Plan members are granted sabbatical leave, leave with salary, vacation leave, or sick leave at the Health Sciences Salary base salary rate or the total negotiated salary rate, as set forth in local implementing procedures.

VII. CHARGES TO EXTRAMURAL FUNDS

Payroll charges to extramural and University funds must be reasonable and properly recorded, to ensure that an accurate accounting trail is maintained. Campus procedures governing such charges must be implemented in accordance with the following general principles:

- **Charges to Sponsored Activities.** The X and Y portions, *but not the Z portion*, of a faculty member's compensation may be charged to sponsored activities.
- **Effort on Sponsored Activities.** The effort expended on sponsored activities must be reasonable in relation to the individual's other University duties. Therefore, local policies and procedures must be developed by health sciences campuses to ensure that the total amount of salary charged to extramural sponsored projects is realistic when added to an individual's effort on instruction, departmental research, and other departmental duties.

- **Total Payroll Charges.** Payroll charges to all sources shall not exceed the actual compensation paid to the faculty member. Transfer of payroll expense procedures must be used to transfer salary expenses. The resulting credit must be made to the fund source originally charged and may not exceed the amount of the original charge, i.e., the transfer must not result in any negative pay transactions.
- **General Funds Salary Savings.** Salary savings from general funds must be spent as general funds. ***Such savings cannot be transferred to other funds.*** Savings resulting from salary reimbursements received from extramural funds such as grants must be used to relieve X and Y compensation proportionately. At the discretion of the Chancellor, salary savings may be transferred to other sub-budgets to be used for academic personnel-related costs. With the approval of the OP Budget Office, such academic salary funds also may be transferred to other sub-budgets to cover expenses for other activities; however, ***all such funds must be expended as general funds.***
- **Negative Effort.** Negative effort shall not be reported on the Personnel Activity Report (PAR). In computing total allowable compensation (including activities generating clinical fee income, teaching, and departmental duties) for Plan members, the percent of effort devoted to a sponsored agreement should be computed based on the total allowable compensation. Thus, all activities requiring effort for which the employee is compensated, including sponsored projects, teaching, patient care, and departmental duties, should be reported as a percent of total effort on the PAR. Such effort should add up to, but not exceed, one hundred percent; no negative effort for any fund may be reflected on the PAR.

VII. CHARGES TO EXTRAMURAL FUNDS (Cont.)

- **Percent of Effort.** Proposals to extramural sponsors, requests for reimbursement for academic effort devoted to a project, or documentation of voluntary or mandatory cost sharing must reflect both an accurate estimate of the percent of effort devoted to a project and the correct rate of X and Y pay. This includes anticipated range adjustments, merit increases, and pending personnel actions. ***Z compensation may not be budgeted or charged to extramural sponsors.***

VIII. CONSTRUCTIVE RECEIPT OF INCOME - Z COMPENSATION

In accordance with the Internal Revenue Code ***constructive receipt rule***, Z compensation payments are treated as taxable income and must be paid through the payroll system, subject to withholding of income and employment taxes. Constructive receipt occurs under the following conditions:

- An amount is due the faculty member;
- The amount is appropriated on the University's books;
- The University is willing to pay the faculty member;
- There are funds with which to pay the amount due;
- The faculty member has knowledge of his or her rights with respect to the payment.

Thus, a faculty member would be viewed as having constructively received Z compensation income because he or she had a right to it.

A faculty member who elects *not* to receive such income, for example, by leaving it in a professional fee account to be used for academic enrichment, will nonetheless be viewed by the IRS as having constructively received it. A ***taxpayer***

***may not deliberately turn his or her back on income to avoid the constructive receipt rule.***

On the other hand, constructive receipt does not occur under the following circumstances:

- There are restrictions on the time or manner of payment to the faculty member, and those restrictions are substantial.
- A faculty member must give up a privilege or a right in order to receive the income.
- The income is subject to litigation, inability on the part of the University to pay, or a binding pre-transaction agreement postpones its receipt.

#### IX. RESPONSIBILITIES

Refer to Plan Sections II.B, Roles of The Regents and the President; C, Role of the Academic Senate; and D, Role of the Chancellor for information on review and approval responsibilities (see Appendix).

The OP General Accounting Office is responsible for providing each health sciences location with a monthly journal detailing the monthly Health Sciences Compensation Reserve amount.

#### X. REFERENCES

Academic Personnel Manual 670 - Health Sciences Compensation, July 1999; Appendix A, Guidelines on Occasional Outside Professional Activities by Health Sciences Compensation Plan Participants, November 1999.

Deputy General Counsel John F. Lundberg, memo to Vice Dean Jaclyne W. Boyden on Health Sciences Compensation Plan - Constructive Receipt of Income, January 28, 2000.

X. REFERENCES (Cont.)

Senior Vice President Wayne Kennedy, memo to Assistant Vice President Switkes transmitting the Health Sciences Compensation Plan Procedure for the Reserve Fund, March 9, 1994.

Associate Vice President Moore, Associate Vice President Hershman, and University Controller Pastrone, memo to Vice Chancellors on General Principles Governing Payroll Charges to Extramural and University Funds, December 14, 1992.

Director Sandra J. Ahn, memo to Vice Chancellors of Academic Affairs, Health Sciences Campuses on Health Sciences Faculty with Split Appointments, June 25, 1992.

Assistant Vice President Carole Swartz, memo to Vice Chancellors--Academic Affairs and Vice Chancellors--Administration on Split Appointments, April 13, 1992.

Accounting Manual chapters:

[D-371-12.1](#), Disbursements: Accounting for and Tax Reporting of Payments Made Through the Vendor System.

[P-196-11](#), Payroll: Accounting For and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions.

Business and Finance Bulletin, [BUS-77](#), Independent Contractor Guidelines.

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Historical note: Original Accounting Manual chapter first published 11/01/76. Revised: 12/30/00; analyst--Michael O'Neill.

Appendix A:

APM-670 Health Sciences Compensation Plan and Guidelines on Occasional  
Outside Professional Activities by Health Sciences Compensation  
Plan Participants  
11/99

Academic Personnel Manual  
Salary Administration

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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.

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.

#### **B. 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:

1. To provide sufficient non-State resources to recruit and retain outstanding health sciences faculty.
2. To encourage a balance among teaching, research, and service activities (including clinical practice) of the quality required in the University of California.
3. To provide teaching, patient care and research incentives that encourage and recognize academic merit as well as generation of income.
4. To offer consistent benefits and privileges to participating health sciences faculty and schools at all University of California campuses.



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

## II. 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.

### 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 shall 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.

**C. Role of the Academic Senate**

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 campus faculty committee shall be provided the opportunity to review and comment on any proposed exceptions to campus procedures which the Chancellor intends to submit to the President for 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.

**III. Membership in the Health Sciences Compensation Plan**

**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)
4. Adjunct Professor
5. Acting Professor
6. Clinical Professor
7. Visiting Professor
8. Health Sciences School Dean titles.

9. Any other title series approved for membership in this Plan by the President.

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 procedures and any related departmental guidelines setting forth Regental, campus, and departmental policy applicable to faculty covered by the Plan.

#### **B. Exceptions to Membership Requirements**

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

The President shall review and has authority to approve provisions in campus procedures, and requests by Chancellors 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, regardless of percentage of time.

### **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. Total Compensation**

Faculty members participating in this Plan shall:

- 1) receive base salary as described in Section B, below.
- 2) be eligible for optional additional compensation as described in Section C, below.
- 3) be permitted to retain the other miscellaneous income as described in Section D, below.

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 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. Base Salary**

Base salary for an individual is the approved rate on one of the Health Sciences Compensation Plan Salary Scales, associated with that faculty member's academic rank, step and academic programmatic unit. The base salary is covered under the University of California Retirement Plan (UCRP) up to the amount permissible under law and in accordance with UCRP provisions and regulations. Salary scales shall be assigned to academic programmatic units and may be changed in accordance with guidelines issued by the President.

**C. Optional Additional Compensation**

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 or revision of local compensation procedures, affected Plan participants shall be afforded the opportunity to review and comment on the proposed procedures. Local procedures shall specify how additional compensation will be calculated, when it will 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 and for the Health Sciences Severance Pay Plan (HSSPP), as described at Section V.B.

2. Incentive/Bonus compensation ("Z")

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

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

Certain categories of income accruing from occasional service, as described below, may be retained by Plan members. 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 and campus implementing procedures.
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 inventors, as allowed under the University's copyright and patent policies.
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.
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 Chairperson in consultation with the Dean.

## **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 Health Sciences School and respective Accounting Office shall develop and provide a funding mechanism for support of all benefits made available under the provisions of this Plan, and this mechanism shall be included in the campus procedures established for administration of the Plan.

### **A. 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 insurance, disability insurance, regular term life 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. Optional Benefits on Additional Compensation**

The Regents have authorized 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 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. Paid Leave**

Plan members who are eligible for sabbatical leave, leave with salary, or vacation leave, or who are granted sick leave (including parental leave) may be granted such leave at the Health Sciences Scales Base Salary rate or total negotiated salary rate as set forth in local implementing procedures.

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

**VI. 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 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 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 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:
  - 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.

#### 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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**UC Office of the President****Guidelines on Occasional Outside Professional Activities by  
Health Sciences Compensation Plan Participants  
November 1999****I. Introduction****A. Overview of Office of the President Guidelines**

These guidelines may be amended or repealed by the President following consultation with the Health Sciences Chancellors, Deans, and the appropriate Academic Senate Committee(s). Questions about these guidelines should be directed to the Provost and 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 implementing procedures. In addition to these guidelines, Plan participants must comply with other pertinent policies including:

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

**B. School Implementing Procedures and Faculty Consultation**

School implementing procedures must be consistent with these guidelines, reviewed by the appropriate Academic Senate

committee(s), and approved by the Chancellor and the President. Affected Plan participants shall be provided with the opportunity to review and comment on proposed campus implementing procedures. In addition, as described at Section II.C.5., a committee which includes faculty representatives shall advise the Dean on campus implementing procedures developed in accordance with Section II.C.

## **II. Requirements on Outside Professional Activities by Compensation Plan Participants**

### **A. General**

Campus implementing procedures shall include requirements on outside professional activities by Compensation Plan Participants. The University-wide standard requirement described at II.B. shall apply to Plan participants unless an alternative option is approved in accordance with Section II.C. for implementation in the Plan participant's school, department or organized research unit. The mechanisms for addressing potential conflicts of commitment, described at Section II.C.4, are applicable in schools, departments or organized research units which operate under an alternative option, but are not required in schools, departments or units which operate under the University-wide standard requirement.

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

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

### **C. Alternative Options**

#### **1. General Overview**

Chancellors, after consultation with the appropriate Academic Senate Committee(s), may submit to the President for approval provisions in school implementing procedures which would modify the University-wide standard requirement (as described in Section II.B.) 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,
- . mechanisms for addressing potential conflicts of commitment, and
- . an advisory committee.

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

School implementing procedures 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 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.

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

School implementing procedures must clearly describe the types of professional income that Plan members may be allowed to retain. 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 standard requirement, school implementing procedures may allow Plan participants in all or selected departments or organized research units to retain additional types of professional income, such as:

- a. Consulting income from non-profit and for-profit entities,  
and/or
- b. Income from consulting or testifying as an expert or professional witness.

Campus implementing procedures 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 implementing procedures should also specify where on campus faculty can obtain information on the disclosure and disqualification requirements of the Political Reform Act of 1974, including the Academic Decision Regulation.

4. Mechanisms for Addressing Potential Conflicts of Commitment

School implementing procedures 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 standard requirement on occasional professional activity (as described in Section II.B) 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.

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 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.

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.

*c. Annual Outside Professional Earnings Approval Threshold*

An annual outside professional earnings approval threshold shall be established at the school, department or organized research unit level. A Plan participant who has satisfied the good standing criteria established in accordance with Section II.C.4.b., who has not exceeded the limit on the number of days devoted to compensated outside professional activities established in accordance with 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 President. Effective with the issuance of these guidelines, the maximum annual outside professional earnings approval threshold set by the President shall be \$20,000 or 20% of the Health Sciences Compensation Plan salary scale for an individual faculty member's rank, step, and academic programmatic unit, whichever is greater.<sup>1</sup> This approval threshold may be adjusted for inflation on a periodic basis by the Office of the President, and campuses may adjust their local thresholds accordingly. The maximum approval threshold may also be re-evaluated periodically by the 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 or revision of a school, department or unit approval threshold, affected Plan participants shall be provided an opportunity to review and comment on the proposed threshold.

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 campus procedures. 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 campus procedures.

Department Chairs and/or Deans may approve Plan participants' requests to engage in outside professional activities in accordance with campus procedures. However, campus 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 President (see 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 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 in 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.

### **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 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.

#### **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.

Campus implementing procedures shall clearly state that the University reserves the right to take corrective action and disciplinary measures 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 campus implementing procedures.
- . Failure to accurately disclose and describe the nature and scope of outside professional activities as required by campus implementing procedures.

If the Department Chair or the Dean has reason to believe that a Plan member has not complied with the campus implementing procedures 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.
- . 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 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 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 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.

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<sup>1</sup>For example, under this provision, using the salary scales effective on 10/1/99, 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 \$64,840 (20% of \$324,200) before having to request approval to engage in outside professional activities.

<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.