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Univ. of Texas Medical Branch
At Galveston

SCHOOL OF MEDICINE

January 15, 2008

OFFICE OF THE DEAN OF MEDICINE

Kenneth I. Shine, M.D.
Executive Vice Chancellor for Health Affairs
The University of Texas System
601 Colorado
Austin, Texas 78701

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Dr. Shine:

As you are well aware, UTMB has been continuing to refine its School of Medicine Faculty Compensation Plan since its inception at the beginning of Fiscal 2007.

Currently our School of Medicine Faculty Compensation Plan only allows Lump Sum Incentive Payments to be paid on a monthly basis as specified in each departmental incentive plan. In order to have more flexibility in rewarding productive clinical performance, we would like to revise our Faculty Compensation Plan to allow Lump Sum Incentive Payments to be paid on a monthly, quarterly, semi-annual and annual basis.

Originally our Compensation Plan stated the following:

Lump Sum Incentive Payments: **Plan members** are eligible to be paid on a monthly basis as specified in each departmental incentive plan. Lump Sum Incentive Payments are considered to be creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Plan members who work a portion of a month will be eligible for partial payment.

We are making a request for our Compensation Plan to state:

Lump Sum Incentive Payments: **Plan members** are eligible to be paid on a monthly, quarterly, semi-annual, or annual basis as specified in each departmental incentive plan. Lump Sum Incentive Payments are considered to be creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Plan members who work a portion of a month will be eligible for partial payment.

Please let me know if you have any questions or concerns.

Sincerely,

Garland D. Anderson, M.D.
Dean, School of Medicine
Thomas N. and Gleaves T. James Distinguished Chair

Approved:
2/7/08
see attached memo
from OBC

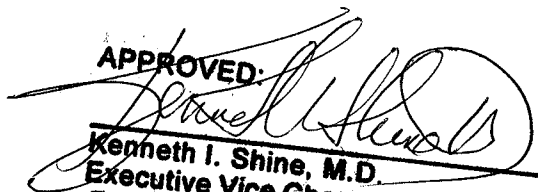
c: David L. Callender, M.D.
Patrick Francis, Assistant Vice Chancellor for Health Affairs
Cameron Slocum, CFO, SOM

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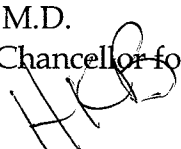
Helen K. Bright
Senior Attorney

August 18, 2006

MEMORANDUM

APPROVED:

Kenneth I. Shine, M.D.
Executive Vice Chancellor
For Health Affairs

TO: Kenneth Shine, M.D.
Executive Vice Chancellor for Health Affairs

FROM: Helen K. Bright 

SUBJECT: THE UNIVERSITY OF TEXAS MEDICAL BRANCH: FACULTY
COMPENSATION PLAN FOR SCHOOL OF MEDICINE (Amendment 2)

The University of Texas Medical Branch at Galveston requested amendment of its Faculty Compensation Plan. I have highlighted the proposed changes for your convenience.

The additional changes have been incorporated to better faculty understanding of the core salary component and to include provisions setting forth procedures for review of faculty complaints about the application of this plan or their respective departmental compensation plan. Although the annual MOAs (Attachment 1) are mentioned in this revision, I have not attached the MOAs as there are no modifications to the appointment forms.

Finding no legal objection, the attached plan is approved as to form.

Attachment: Faculty Compensation Plan, School of Medicine, dated 08/18/06

cc: Christopher Johnsen (via e-mail)

FACULTY COMPENSATION PLAN
THE UNIVERSITY OF TEXAS MEDICAL BRANCH (UTMB)
SCHOOL OF MEDICINE (SOM)

I. COMPENSATION PLAN INTRODUCTION, PURPOSE AND OBJECTIVES

A. Introduction

The UTMB SOM Compensation Plan (Compensation Plan or Plan) presented in this document describes a process geared to reward optimal faculty performance and maintain and enhance faculty excellence towards UTMB's missions of patient care, education, and research. The Compensation Plan is one of several core institutional processes that align UTMB's purpose, goals, and strategies to enhance institutional, school, and departmental goals. The Plan is designed to establish clear guidelines for faculty performance and reward faculty that achieve excellence. The SOM remains committed to providing a competitive compensation package including salary, retirement, other benefits, and rewards for performance.

B. Purpose

The purpose of the Plan is to provide a basis for establishing an annual salary and incentive compensation for clinical and basic sciences faculty of the UTMB School of Medicine (SOM), allowing for salary increases in recognition of an individual's increased duties, accomplishments, and notable performance, as well as for salary reductions when duties, accomplishments, or performance diminish below expectations. This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. UTMB retains the right to modify or cancel the Plan at any time.

C. Objectives

The Compensation Plan shall strive to achieve the following objectives:

- Be uncomplicated, understandable, and transparent to participants
- Provide adequate compensation to attract and retain outstanding faculty
- Ensure fairness and consistency among faculty
- Establish a structure to set compensation
- Provide incentives to encourage and reward clinical, research, teaching, and administrative productivity
- Provide for incentives to control expenses, improve quality, and strengthen the fiscal position of the departments, MSRDP, and the SOM as a whole
- Create funds for program and faculty development
- Provide funds for support of the SOM
- Allow the SOM to be responsive to changes in the market

D. Plan Year

The Plan year will be September 1 through August 31.

II. APPLICABILITY

The Compensation Plan will apply to:

1. all full-time and part-time (per contract) clinical and basic sciences faculty.
2. all sources of funding used in support of SOM faculty.
3. all sources of collected revenue generated within a faculty member's scope of employment with the school, as defined in the MSRDP Bylaw No. 4.30.

A complete description of all funding sources committed to the Faculty Compensation Plan is located below in Section III.D. The Plan does not impact benefits to which an employee is otherwise entitled.

III. OVERVIEW OF FACULTY COMPENSATION STRUCTURE

A. Introduction

Faculty compensation will be comprised of three possible components:

- 1 - School of Medicine Core Salary Component
- 2 - Specialty/Discipline-Specific -Component
- 3 - Incentive Compensation

The term "Total Compensation" refers to the aggregate compensation derived from these three components.

B. Institutional Base Annual Salary

The annual salary consisting of components 1 and 2 (as noted in B1 and B2 below) will be determined annually and will be set forth in the written, annual Memorandum of Appointment (MOA) approved by the Dean and President. (See Attachment 1 for MOAs for School of Medicine.)

The components 1 and 2 of the annual salary will be guaranteed only for the contract year as specified in the MOA. For those faculty with administrative responsibilities, any compensation for administrative duties is considered part of the Institutional Base Salary, but the administrative appointment and the associated compensation for that responsibility is discretionary and without term.

For grant proposals to external agencies, the faculty members' salaries will be based on the Annual Salary. For example—the annual salary will serve as the basis for calculation of the "direct salary" included on NIH grant or cooperative agreement proposals or applications.

B.1. School of Medicine Core Salary Component

The School of Medicine core salary component is applicable only to full-time faculty members and to part-time faculty who hold the title of Assistant Professor, Associate Professor or Professor. The core salary is not intended to be payment for the academic appointment. Each department will define minimum performance expectations.

The School of Medicine full-time faculty core salary will be determined annually based on faculty rank with a pro-rata adjustment for part-time faculty. The core salary is specified for the period of the MOA.

Assistant Professor - \$40,000
Associate Professor - \$51,000
Professor - \$67,000

It is UTMB's intention to offer eligible faculty the same core salary in subsequent appointments to the extent authorized under the Constitution and laws of the State of Texas and given sufficient appropriations and clinical income.

B.2. Specialty/Discipline-Specific Component

This component will be based upon a faculty member's contributions to the departmental mission. Market value by subspecialty or discipline will provide a basis for calculating this component of salary. The most current AAMC Survey of Faculty Compensation will be used to help establish benchmarks.

The specialty/discipline-specific component for faculty will be proposed annually by the chair of the department and will be based upon the faculty member's past performance and the department's fiscal circumstances. The specialty/discipline-specific component may increase, decrease or remain the same in subsequent years depending on the basis of a faculty member's performance of assigned duties and responsibilities, research grants and contracts, professional achievements, and fees billed and collected for professional services. The specialty/discipline-specific component for each faculty member will be reviewed and approved annually by the Dean and President, and is for the period of the MOA.

The specialty/discipline-specific component for Department Chairs will be proposed by the Dean and approved by the President annually, and is for the period of the MOA.

C. Incentive Compensation

Faculty members may be eligible for additional compensation in the form of incentive payments. Each department will define in writing its own plan for calculating and distributing incentive payments.

Departmental Incentive plans should encourage the following:

- Clinical performance that generates clinical income with cost efficiency
- Scholarly activity that generates external funding of faculty salaries
- Outstanding Teaching performance
- Excellent Administrative performance
- Other departmental, SOM or UTMB activities that further the mission and goals of the department

Departmental Incentive plans shall include and adhere to the following guidelines:

- Department/Division Profitability- Funding of incentive payments should be made from positive margin.
- If the department/division does not have a positive margin, payments may still be approved by the Dean at the request of the department chairs, if sufficient department funds exist and significant progress has been achieved by the same department or division towards reaching a break-even status.
- Metrics will be defined by each Department/Division which may include:
 - RVUs
 - Clinical charges/revenue/collections
 - Other clinical productivity measures/benchmarks
 - Research funding objectives
 - Educational time and effort
 - Community citizenship and institutional service
 - Process improvement
 - Other

Incentive Payment Options:

1. Non-Recurring Merit Payments: **All Faculty** are eligible to be paid every 6 months as specified in each departmental incentive plan. Non-Recurring Merit payments are eligible for retirement benefits.
2. Lump Sum Incentive Payments: **Plan members** are eligible to be paid on a monthly basis as specified in each departmental incentive plan. Lump Sum Incentive Payments are considered to be creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Plan members who work a portion of a month will be eligible for partial payment.
3. Supplemental Retirement Payments: **Plan members** are eligible to be paid on a quarterly, semi-annual, or annual basis as specified in each departmental incentive plan. Supplemental Retirement Payments are not creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Plan members who work a portion of an SRP period will *not* be eligible for partial payment.

Any incentive payment made pursuant to this section is subject to all applicable salary deductions (*e.g.*, FICA, federal taxes), must be reported to the IRS as salary and wages. Depending on the date of the faculty member's hire, State and/or federal law may impose a cap on the amount of salary and wages that can be counted as creditable compensation for calculating retirement benefits.

Department Chairs' Incentive Plan

The Dean will work with each Department Chair to develop annual objectives and define an incentive plan for each Chair which will include institutional goals and triggers. The President will approve the annual incentive plans for each Department Chair. On occasion, the Dean or the President may be required to indicate their approval of an incentive for an individual faculty member.

D. Funding Sources

Funds available to compensate faculty are derived from several sources:

- President's Office
- School of Medicine
- Hospital
- Other UTMB Schools
- State Appropriations
- Sealy/Smith Foundation
- Affiliated agency support
- Grant and contract support
- Professional and/or medical legal consultation
- Professional fees including fees generated for patient care services
- Endowment Operating Funds
- Philanthropy
- Other

E. Review and Approval

All Department compensation and incentive plans must adhere to the guidelines in this SOM Faculty Compensation and Incentive Plan.

- Annually on or before July 1st of each year, Department Chairs will submit their written Departmental Compensation and Incentive Plan to be reviewed and approved by the Dean.
- The School of Medicine will review the overall reasonableness of a department's compensation and incentive plans on an annual basis.
- If a faculty member's total compensation exceeds the 85th percentile of the most current AAMC Survey of Faculty Compensation, the Department must submit to the Dean for approval a detailed justification including a business plan that reflects the specific value received and resources used for payment.

- No faculty member's budgeted compensation may exceed the UT System Council of Health Institution's maximum budgeted compensation rate for that rank unless it receives approval from the President and Executive Vice Chancellor for Health Affairs, or as required by Regents' *Rules*.

F. Compensation Appeal Committee

Beginning in Fiscal Year 2008, any faculty member who disputes the application of this compensation plan or their respective departmental compensation plan may seek review by presenting their concerns to their Chair or Program Director, and then to the Compensation Appeals Committee. Furthermore, all decreases in faculty Institutional Base Salary greater than 10% will be automatically reviewed by the Committee unless declined by the faculty member. The process is described in the Compensation Appeals Committee policy in the Institutional Handbook of Operating Procedures.

Date: 01/11/06

Revised: 06/30/06

Revised: 08/18/06