

UNM SOM FACULTY COMPENSATION PLAN

06/01/1999

APPROVALS

- Approved by 2/3 of eligible SOM faculty members (Certified by John A. Trotter, Associate Dean for Academic Affairs, on 05/26/99)
- Approved by the Committee of Chairs on 05/26/99
- Approved by Paul B. Roth, M.D., Dean of the SOM on 05/26/99
- Approved by R. Philip Eaton, Interim Vice President for Health Sciences on 05/26/99

RATIONALE OF THE BSI FACULTY COMPENSATION PLAN

As an academic institution for medical and biomedical professionals, the SOM has faculty at different ranks in several different tracks and in a number of different discipline-oriented departments. The compensation of faculty varies widely. Further, because the SOM is a component of a university that grants tenure, a serious question arises concerning the portion of an individual's salary that is related to ("guaranteed by") tenure. It is of great benefit to the future success of the SOM to have a rational faculty salary plan that provides mission-based incentives for professional performance, that explicitly rewards productivity, and that defines the relationship between tenure and compensation.

PRINCIPLES UNDERLYING THE BSI COMPENSATION PLAN

- There is no distinction between what is good for the faculty and what is good for the SOM. To be of benefit to the SOM, the faculty compensation plan must serve the long term best interests of the faculty
- Pay should be linked with performance and be able to go up or down annually.
- The allowable change in pay from one year to the next should be limited by policy, but greater increases should be permitted in exceptional circumstances. Such exceptions should require authorization by the Dean.
- The compensation plan should establish an explicit link between compensation and the annual setting of goals and expectations.
- The compensation plan should provide incentives for all faculty to make productive contributions to the missions of the division, department, SOM, HSC, and UNM; and **should reward faculty for productivity in all areas of our mission - education, research/scholarship/creative works, and service, including patient care. The explicit link between performance and compensation is the most important goal of the compensation plan.**
- The SOM plan should define the principles and operational boundaries within which departments should be able to develop and administer plans that are specific to their needs and cultures.
- The compensation plan should explicitly define the relationship between tenure and compensation for SOM faculty.

- The plan should be developed on the basis of effective and extensive communication between the Dean and department chairs and faculty of the principles and objectives of the plan. There should be extensive feedback from faculty on all aspects of plan design and implementation. The SOM compensation plan will be developed collectively, using multiple iterations and criticisms of the plan as it is developed.
- An important requirement of the process of plan development is that it should give faculty members the opportunity to have a major voice in the determination of compensation structures in the SOM, the departments, and the divisions.
- The SOM Faculty Compensation Plan will require approval by the affected members of the faculty, as well as by the Committee of Chairs, the Dean, and the VPHS.
- Department-specific plans will be developed by each department's faculty and will require approval by department faculty, chair, and the Dean of the SOM.
- Each department should define what it wants to accomplish with the BSI plan and how it will measure the success of the plan. Similarly, the SOM should state what the BSI plan is intended to accomplish and how its success will be measured.
- Each faculty member's pay should be fair in relationship to other faculty members in the same unit doing similar work at similar levels of quality and quantity.
- Each faculty member should be entitled to an appeal process, which should be defined in the departmental plans as well as in the SOM plan.

BSI COMPONENTS

Annual salaries for faculty, including Clinician Educators, at the rank of lecturer, instructor, assistant professor, associate professor, and professor will consist of three components: Base, Supplement, and Incentive (BSI). The first two components (B+S) together will be the "contract salary." The contract salary will be determined annually and will be guaranteed for the contract year. The Incentive will be distributed according to departmental and divisional policies and formulas. The Incentive pay is not guaranteed.

- The salary amount guaranteed by and attendant upon the award of tenure will be the Base salary.
- Research Faculty will not have a Base component to their salary.

CONTRACT SALARY (B+S)

General Concepts and Definition of Base Component

The contract salary for faculty members performing at the expected level should consist of at most 85% Base and at least 15% Supplement (B/S split) [1]. The Base component is guaranteed

[1] In some units of the SOM, substantially more than 15% of the contract salary may be in the Supplement component. However, if the Supplement component constitutes 50% or more of the Contract Salary, then the Incentive component must constitute at least 25% of total compensation.

[2] Section 401(a)(17) of the Internal Revenue Service Code limits the amount of employee

not to be reduced during a faculty member's appointment at the University of New Mexico (except by decisions of the Board of Regents to reduce the salaries of all UNM faculty). It may be increased, but the rate of increase may not exceed the average "standard" SOM faculty rate of increase. The Supplement component is related to performance and may be increased or decreased according to a faculty member's productivity during the previous year. Meeting expectations in the previous year should result in the average "standard" SOM faculty rate of increase in the Supplement. Hence, for faculty performing at the expected level, both Base and Supplement should increase annually by the average "standard" percentage. Therefore the contract salary for such faculty should rise each year by the average "standard" percentage. As a consequence, the B/S split should be maintained.

For faculty whose performance exceeds "standard" expectations in the previous year the Base component may increase by the average "standard" percentage for the unit, but the Supplement component may increase by a greater percentage. The greater increase in the Supplement component should provide a productivity reward for faculty members. Faculty who have been highly productive over a period of years may therefore have Supplement components that are markedly greater than the standard 15% of contract salary. These faculty will have an ongoing incentive to remain productive because the Supplement component can be reduced if productivity is reduced.

For faculty whose performance falls short of "standard" expectations in the previous year the Base component may be increased by a minimal percentage, or it may remain the same. For such faculty the Supplement component may be reduced to zero. Low productivity may therefore result in a contract salary that has only the Base amount. This should provide an incentive for faculty to maintain at least the "standard" expected level of productivity.

CONTINUING FACULTY MEMBERS

For continuing faculty members (as opposed to new hires) the Base component of the initial BSI contract salary should be equal to or greater than the entire contract salary amount (less SAC) for the fiscal year immediately preceding that in which the BSI plan is implemented. Plan implementation should therefore not result in any decrease in Base salary. Increases in contract salary subsequent to implementation of the BSI plan should be in the Supplement component, until the Supplement accounts for at least 15% of the total contract amount. For continuing faculty members whose Supplement accounts for at least 15% of contract salary, subsequent "standard" SOM raises (as determined annually by the VPHS, the Dean, and the Department Chair) should be distributed proportionally so as to maintain the B/S split, as described above. Thus a faculty member whose performance meets expectations and is therefore given the

compensation on which tax-deferred retirement contributions can be made to either the NM ERB or the ARP. The annual compensation limit for 2008 is \$230,000. In plain language: an employee will stop paying the 7.75% retirement deduction when their salary reaches \$230,000 during calendar year 2008. The Employer will also stop contributing on behalf of the employee at the \$230,000 limit. The IRS limit changes each year according to the National COLA.

“standard” increase should maintain the same B/S split while total contract salary increases annually by the “standard” percentage for that unit. Performance-based increases and decreases in contract salary should be exclusively in the Supplement component, as described above.

Special Administrative Components (SACs) will not be included in the above calculations of the split between Base and Supplement. SACs will not be included in the previous year’s contract salary for the purpose of computing the Base salary under the BSI plan. SACs will be in the Supplement component. However they will not be guaranteed annually, but only for the time the faculty member serves in the relevant administrative capacity.

NEW HIRES

The contract salaries of faculty members hired after implementation of the plan should contain at most 85% in the Base and at least 15% in the Supplement components. Subsequent adjustments in contract salary will be made as described above. As part of the letter of offer, a hiring unit can promise not to reduce the supplement amount for the first 1 - 3 years of employment, and to maintain the B/S for the same period of time.

SUPPLEMENT

- The Supplement will be determined annually for each faculty member for the subsequent fiscal year by the department chair. The amount of the Supplement will be based on:
 - the faculty member’s contributions to the clinical, educational, and scholarly missions and administrative needs of the division, the department, the school, the HSC, and the University;
 - the success of the faculty member in meeting the previous year’s goals and objectives.
- The Supplement should be adjusted so that the contract salary (B+S) will not change by more than 15% in a given year. Greater changes are permitted in exceptional circumstances. Such exceptions require written authorization by the Dean.

Special Administrative Components (SACs) will be considered part of the Supplements but will not be included in the 15% limit. SACs are subject to change from year to year, and end with the associated administrative assignments.

INCENTIVE

- The Incentive component will be distributed according to divisional and departmental policies.
- The Incentive component is not guaranteed, but is subject to availability of funds and to the policies of the unit.
- Each department is responsible for developing and administering a policy that specifies:
 - the sources of funds available for Incentive distributions;
 - the formulas or other mechanisms for determining the distributions of Incentive funds.

VA FACULTY

Faculty with either full or partial salary support from the VA will have Base, Supplement, and Incentive components of the University portion of their salaries adjusted according to the fraction of faculty member's salary that is paid by the University. Other incentives to full- or part-time VA faculty will be paid in accordance with departmental and SOM policies.

RETIREMENT AND GRANTS

Retirement contributions and benefits will be calculated on the basis of a faculty member's full compensation (Base + Supplement + Incentive), subject to applicable laws and regulations.[2].

For grant proposals to extramural agencies, faculty members' salaries will be based on Contract Salary (Base + Supplement).

IMPLEMENTATION AND ADMINISTRATION

- The SOM Faculty Compensation Plan will require approvals by the Committee of Chairs, the Faculty of the School of Medicine, The Dean of the School of Medicine, and the Vice President for Health Sciences. Approval of a departmental plan will require the approval of 2/3 of the eligible faculty in the department. Approval of a departmental plan by 2/3 of the eligible faculty in the department, by the chair, and by the Dean, will constitute that department faculty's approval of both the departmental plan and the SOM plan. Approval of the SOM Faculty Compensation plan will require the approval of 2/3 of the eligible faculty in the SOM.
 - Prior to implementation of a department's compensation plan, each department should have defined for each faculty member what constitutes poor, adequate, and superior performance.
 - The SOM Faculty Compensation Plan will become effective immediately following its approval by the Vice President for Health Sciences.
 - All letters of offer subsequent to the plan's effective date will explicitly contain Base and Supplement components, and will include as attachments both the SOM plan and the Department (and, if appropriate, Division) plans.
 - All annual faculty contracts issued subsequent to the plan's effective date will show the Base, performance Supplement, SAC, and VA salary components.
 - Any faculty member who wishes to contest his/her annual salary under the departmental compensation plan may do so using the appeal process specified in each department's plan. If the faculty member is not satisfied with the outcome of the departmental review process, he/she may appeal to the Dean in by filing a written appeal within 10 working days after the department's appeal process has been completed. The Dean may refer the matter to a faculty committee for its recommendations. The committee will consider procedural questions (e.g., did the department follow its own policies) but not judgment question (e.g., did the chair set reasonable goals for the faculty member). If differences
-

are unresolved, a written discretionary appeal request may be made to the Vice President for Health Sciences within 10 working days after receiving the decision of the Dean.

- The plan will be reviewed for strategic effectiveness every four years.
 - The SOM plan and departmental plans will be reviewed for technical effectiveness in the spring of the second year of the plan. Agreed upon modifications will be implemented at the start of the third year of the plan.
 - The Dean will determine annually the reports that will be used for comparisons of SOM faculty compensation to multi-institutional percentiles. Departments or divisions that employ such comparisons in setting compensation will use the reports designated by the Dean.
-