

**University of California, San Francisco
School of Medicine
Implementation Procedures
for the
Health Sciences Compensation Plan**

I. INTRODUCTION

The Health Sciences Compensation Plan (Regents' Plan) was approved by The Regents of the University of California in July 1999 for implementation at all University of California health sciences schools. In accordance with the Regents' Plan, the President issued *Guidelines on Occasional Outside Professional Activities by Health Sciences Compensation Plan Participants*. The procedures contained herein (Implementation Procedures) provide supplementary regulations for implementation of the Regents' Plan at the University of California, San Francisco (UCSF) School of Medicine.

In adopting these Implementation Procedures the faculty and administration of the School of Medicine at UCSF affirm the philosophy outlined in the Regents' Plan. The Regents' Plan and these Implementation Procedures will be used in each department/organized research unit (ORU) to foster academic balance among the joint responsibilities of teaching, research, patient care, and other public service responsibilities. Individual levels of compensation will be established so as to maintain this academic balance and to permit the recruitment and retention of the individuals necessary for the School to fulfill its missions at a level of excellence.

In addition to these Procedures, participants are also subject to the requirements of other University policies, including (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 Requirements to Submit Proposals and to Receive Awards for Grants and Contracts Through the University. 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. Faculty can obtain information on the disclosure and disqualification requirements of the Political Reform Act of 1974, including the Academic Decision Regulation, from the campus office of Legal Support Services.

II. REVIEW AND APPROVAL RESPONSIBILITY

These Implementation Procedures are developed to be consistent with the policy framework of the Regents' Plan. Affected plan participants shall be afforded the opportunity to review and comment on any proposed revisions to the Implementation Procedures, including consultation with the School of Medicine Compensation Plan Advisory Committee and the Faculty Council. All such revisions shall be approved by the Dean, the Chancellor, and the President. Local implementation shall be administered by the Dean. All Department/ORU implementation guidelines shall be reviewed and approved by the Dean prior to implementation.

The President may approve individual exceptions to the provisions of the Regents' Plan to meet special teaching, research, or clinical service requirements. All such exception requests shall be proposed by the appropriate chairperson/ORU director and approved by the Dean and the Chancellor prior to the President's review. The School of Medicine Faculty Council shall be provided the opportunity to review and comment on any proposed exceptions to these Implementation Procedures that the Chancellor intends to submit to the President for approval.

III. MEMBERSHIP IN THE HEALTH SCIENCES COMPENSATION PLAN

School of Medicine faculty members employed by The Regents shall be members of this Plan if they hold University-funded appointments at greater than 50 percent of full time in a School of Medicine department or ORU in any of the following professorial series: Professor, Professor in Residence, Professor of Clinical _____ (e.g., Medicine), Adjunct Professor, Acting Professor, Clinical Professor, and Dean. Faculty in the Visiting Professor series who receive income for clinical services and meet the above criteria are also members of this Plan.

Faculty members who are otherwise eligible for this Plan as defined above but who have appointments of 50 percent or less of full time may participate in this Plan upon the recommendation of the department chair/ORU Director and approval by the Dean. Department/ORU guidelines should specify when membership in the Plan is required for faculty whose University-funded appointment is 50 percent or less of full time.

If the faculty position is funded by two or more School of Medicine departments/ORUs, the faculty member shall be subject to the compensation plan guidelines of the department/ORU in which the preponderance of her/his academic activities occurs. Exceptions to this policy must be recommended by the relevant department chairs/ORU directors and must be approved by the Dean.

If the position is funded by two or more professional schools with health sciences faculty compensation plans, the faculty member shall belong to the compensation plan within the School in which the faculty member's **academic** home department resides. Exceptions to this policy must be recommended by the relevant department chairs/ORU directors and Dean(s) and must be approved by the Chancellor.

Membership in the Plan is a term and condition of employment. It is the responsibility of each department chair/ORU director to ensure that all new and continuing eligible Plan members receive a copy of the Regents' Plan, these School Implementation Procedures, and any related departmental/ORU guidelines.

IV. COMPENSATION AND BENEFITS

The income limitation arrangement shall no longer be an option for compensation of faculty except as provided in the Regents' Plan Appendix A. No single member professional corporations, or any other form of professional corporation, partnership, or other entities 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 receive Base Salary and shall be eligible for additional compensation, as described below. No state funds shall be used for compensation above the portion of Base Salary equivalent to the Fiscal Year salary scales.

- **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 (APU). 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.

Base scale assignment will be uniform by APU as recommended by the department chair/ORU director and approved by the Dean. An APU may advance to the next highest salary (Health Sciences Compensation Plan Salary Scale table) each successive fiscal year with the approval of the Dean. Except under unusual circumstances and only with the approval of the Provost, mid-year adjustments in APU salary scales are not permitted.

- **Optional Additional Compensation:** departmental/ORU guidelines may provide for the payment of additional compensation. Department/ORU guidelines shall specify how the components of additional compensation will be calculated and when they will be paid.

Additional compensation may be paid, in accordance with fund source restrictions, as follows.

1) Negotiated Additional Compensation (“Y”) may be negotiated with the department chair/ORU director on an annual basis. All Negotiated Additional Compensation must be approved by the Dean. Midyear renegotiation of the “y” is permitted only under unusual circumstances and with the approval of the Dean. This component is beyond Base Salary and is not covered compensation for UCRP, but may be eligible for optional disability and life insurance programs.

2) Incentive/Bonus Compensation (“Z”) beyond Base and Negotiated Additional Compensation may be earned. All Incentive/Bonus Compensation must be approved by the Dean. This component is not covered compensation for UCRP. Incentive/Bonus Compensation will be paid to faculty through the University payroll system, will be subject to federal and state withholding, and will be reported on a W-2 form as wages. Incentive/Bonus Compensation may be paid on a monthly, quarterly, semi-annual, or annual basis, as specified in the departmental/ORU guidelines.

Individual salaries shall be negotiated annually by the individual faculty member and his/her department chair/ORU director, and shall be approved by the Dean. Additional compensation will be paid in accordance with the applicable University and departmental/ORU guidelines during sabbatical leave, vacation leave, sick leave, or other leave with salary.

Each department/ORU shall develop compensation plan guidelines, and must ensure that affected Plan participants are afforded the opportunity to review and comment on proposed departmental/ORU guidelines and any significant modifications, including the setting of approval thresholds and departmental assessment rates. These guidelines will detail:

- the Base Salary scale;
- the manner in which Additional Compensation is negotiated;

- the methodology for calculating Incentive/Bonus Compensation and the frequency of payments;
- departmental/ORU requirements on occasional outside professional activities, including good standing criteria;
- the department's/ORU's policy on collecting and distributing all income paid into the Plan; and
- departmental/ORU policies regarding paid and unpaid leaves and sabbaticals.

Faculty input on proposed department/ORU guidelines and subsequent revisions must be obtained by a vote of the entire faculty of the department/ORU, or by a vote of a committee elected by the faculty. They must be approved by the Dean and may only be altered on July 1 of each fiscal year; such revisions must be reviewed and approved by the Dean. Departmental/ ORU guidelines may be more, but not less, restrictive than the Regents' Plan and must be consistent with these Procedures.

By July 1 of each fiscal year, each faculty member of the Plan shall receive in writing from his/her department chair/ORU director a Statement of Proposed Compensation for the forthcoming period July 1 – June 30. Base Salary scale assignment, Additional Compensation, and the methodology for calculating Incentive/Bonus Compensation will be detailed.

In the event of termination of employment, any outstanding account receivables will be treated in accordance with the compensation arrangement of the individual faculty member. Specifically, receivables originated by those without Incentive/Bonus Compensation will be the property of the University. Receivables of those with Incentive/Bonus Compensation will be handled in accordance with departmental/ORU guidelines. All Incentive/Bonus Compensation, including payments for outstanding account receivables, must be paid through the University of California payroll system.

B. Income That May be Retained by Plan Members

All income derived from patient care activities is due the Plan, including income earned while on paid or unpaid leaves of absence (e.g., vacation, holidays, or week-ends). Income due the Plan must be deposited into the revenue account of the appropriate departmental/ORU compensation plan fund. The following categories of income accruing from occasional service may be retained by the faculty member .

- 1) **Income from occasional service** (other than patient care) as described in the department/ORU guidelines developed and approved in

accordance with the Regents' Plan and Section IV.C of these Implementation 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) **Unrelated income**, defined as income from a profession or activity unrelated to the training and experience which is the individual's qualification (e.g., M.D. or Ph.D. degree) for University appointment as determined by the department chair/ORU director in consultation with the Dean.

The preceding item numbers 2 through 7 are excluded from reporting requirements and do not count in the outside activities threshold of either the University-wide standard requirement, or the alternative option as described in IV.C of these Implementation Procedures.

C. Requirements on Occasional Outside Professional Activities

Each department/ORU shall include in its compensation plan guidelines a clear statement describing the occasional income from outside professional activities that may be retained. Each department/ORU must choose either the University-wide standard requirement on occasional outside professional activities, or an alternative option that must both meet the criteria outlined below and be approved by the Dean before implementation. Professional

income subject to Regents' Plan requirements includes both cash and non-cash compensation (e.g., stock or stock options).

- 1) University-wide Standard Requirement:** Plan participants may retain payments for occasional service (other than patient care), not to exceed 21 days of such service per fiscal year, to:
 - a) governmental agencies (travel time excluded for this category only);
 - b) non-profit health-or education-related organizations;
 - c) continuing health education programs administered by the University; and/or
 - d) University Extension.

“Twenty-one (21) days” is defined as 168 hours per fiscal year. When outside professional activities require travel time during regular UCSF working hours, the time spent travelling shall be included in computing hours/days of outside service, except when the service is provided to governmental agencies. Service performed during paid or unpaid leaves of absence (e.g., vacation, holidays, or week-ends) counts toward the twenty-one day maximum.

Service in excess of 168 hours for all of the above activities combined shall require Chair's/Director's approval in advance. Payments for services beyond 168 hours are due the Plan and shall be paid in temporal order into the appropriate Medical School fund account and will be assessed at the approved rate. Such payments are due upon receipt.

Faculty in departments/ORUs choosing the University-wide standard requirement will not have an earnings threshold for these 21 days of service.

- 2) Alternative Option:** Each department/ORU may develop and implement, with the Dean's prior approval, departmental/ORU guidelines that allow faculty in good standing (as detailed below) to retain payments for occasional services (other than patient care) from governmental agencies, non-profit health- or education-related organizations, continuing health education programs administered by the University, and University Extension which exceed 21 days. The maximum number of days allowed must not exceed the time limits established for compensated outside professional activities in Academic Personnel Policy 025 (currently

48 days), and shall not be less than 21 days. (The School defines one day as 8 hours; under current policy, the maximum number of hours allowed must not exceed 384 hours.)

Department/ORU guidelines may also permit faculty to retain the following additional types of professional income: consulting income from non-profit and for profit entities, and/or income from consulting or testifying as an expert or professional witness.

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 activities. Departments/ORU guidelines must reference 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. Faculty may obtain information about these requirements through the campus office of Legal Support Services.

Departments/ORUs that allow Plan participants to retain any income beyond the University-wide standard requirement must include in their guidelines a clear statement describing the occasional income from outside professional activities that may be retained and must be consistent with the following requirements:

- a) ***Reporting of Outside Professional Activities:*** each Plan participant shall be required to submit to his/her chair/director an annual report describing the previous year's outside professional activities from which the Plan participant retained income and an attestation of adherence to the department/ORU compensation plan guidelines. Chairs/directors of departments/ORUs that allow Plan participants to retain any income beyond the University-wide standard requirement will submit their individual annual report to the Dean.

The report should itemize outside activities in temporal order and should be consistent with the reporting requirements specified in APM 025. When outside professional activities require travel time during regular UCSF working hours, the time spent travelling shall be

included in computing hours/days of outside service, except when the service is provided to governmental agencies.

It is the responsibility of the Plan participant to bring to the attention of his/her chair/director those activities that require advance approval as detailed below. It is the responsibility of the chair/director to file and retain these reports for 5 years.

- b) ***Good Standing Criteria:*** written good standing criteria shall be established at the department/ORU level as part of the departmental/ORU guidelines. 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 teaching obligations, participation in departmental/ORU activities, requirements for clinical coverage, and/or revenue expectations to support the individual faculty member's salary and benefits.

Any faculty member who is not in good standing shall be notified in writing by the department chair/ORU director of the reasons for that determination. Faculty not in good standing must obtain advance approval from the chair/director 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. Faculty who believe the good standing criteria have been applied unfairly may appeal to the Dean's Advisory Committee described in section V of these Procedures.

- c) ***Annual Outside Professional Earnings Approval Threshold:*** an annual outside professional earnings approval threshold shall be established by each department/ORU that chooses an alternative option. The approval threshold must not exceed the maximum approval threshold set by the President. Service during paid and unpaid leaves of absence (e.g., vacation, holidays, week-ends) count toward the threshold.

There are two components to the threshold: maximum time and maximum earnings.

Time Threshold: The **total** number of hours for **all** outside activities (service to governmental agencies, non-profits, for-profits, legal witness, etc.) for which income is retained must not exceed 48 days (384 hours). Plan participants who wish to exceed the time threshold as established by their department/ORU must receive approval for outside professional activities that exceed the department's/ORU's time threshold. All income from activities beyond the time threshold are due the Plan (even if the earnings threshold has not been reached).

Earnings Threshold: Effective with the issuance of these Procedures, the maximum annual outside professional earnings approval threshold is \$20,000 or 20% of the faculty member's Base Salary (covered compensation), whichever is greater. Departmental/ORU guidelines must clearly specify the annual earnings threshold. All income from activities beyond the earnings threshold are due the Plan (even if the time threshold has not been reached).

A Plan participant who has satisfied the good standing criteria established by his/her department/ORU, who has not exceeded the limit on the number of days devoted to compensated outside professional activities established by the department/ORU, 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) without having to request prior approval from his/her department chair or ORU director to engage in the activities.

Plan participants have the responsibility for maintaining a running total of their annual earnings and the time spent on all outside professional activities.

Departmental/ORU Guidelines must detail a mechanism by which a faculty member may exceed the approval threshold. This policy must conform with the Regents' Plan *Guidelines on Occasional Outside Professional Activities*.

- If the department/ORU has adopted an annual threshold less than the Plan maximum (\$20,000 or 20% of the faculty member's Base Salary), the chair/director has the authority to approve all activities that exceed the department/ORU maximum up to the Plan maximum. The Dean must approve such activities for the chair/director.
- Only the Chancellor has the authority to approve a professional activity that exceeds the Plan maximum. If a faculty member wishes to engage in an outside professional activity that will cause the Plan maximum to be exceeded, s/he must request approval of the chair/director, who will then forward it to the Dean and the Chancellor. This request must describe the nature of the activity; the person or entity who will receive and/or pay for the service (e.g., government entity, for-profit company, etc.); the anticipated time/days and the total expected income; and must specifically state by how much the earnings approval threshold will be exceeded if the activity is approved. All such approvals must be in writing with a copy to the President.

After a Plan participant has received approval from the Chancellor to engage in the one activity which may cause his/her total time and/or annual earnings from outside professional activities to exceed the established approved threshold, s/he must request the chair's/director's approval for all subsequent engagement(s). (Chairs/directors must request the Dean's approval for such engagements.) If such engagements are allowed, they shall be undertaken with all related income accruing to the Compensation Plan.

Plan participants shall notify department chairs/ORU directors immediately if they inadvertently exceed the time or dollar threshold or if any of the information they provided in an approval request changes or becomes inaccurate. Chairs/directors shall notify the Dean immediately if they inadvertently exceed the time or dollar threshold or if any of the information they provided in an approval request changes or becomes inaccurate.

Department chairs/ORU directors must notify the Vice Dean for Academic Affairs if they believe a Plan participant

has violated, neglected, or manipulated Compensation Plan requirements. Plan participants are subject to corrective action and disciplinary measures for such violations.

- 3) Monitoring and Enforcement:** responsibility for monitoring and enforcement will rest primarily with chairs/directors. The primary means of monitoring compliance will be reviewed by chairs/directors of the information provided by the faculty member in annual reports on outside professional activities. If a chair/director has concerns about whether a Plan member is meeting the established standards, the matter should be referred to the Dean's Office.

The responsibility for oversight of the outside professional activities of department chairs and ORU directors resides with the Dean.

An advisory committee that includes faculty representation shall be established to assist the Dean in resolving issues related to outside professional activities. This committee's charge is described in detail in Section V of these Implementation Procedures.

- 4) Corrective Action and Disciplinary Measures:** the University reserves the right to take corrective action and disciplinary measures against any Plan member who fails to comply with the Plan, these Implementation Procedures, and or departmental/ORU guidelines. Situations where Plan members will be considered out of compliance include, but are not limited to: a) failure to disclose and deposit income due to the Plan as required by these Implementation Procedures and departmental/ORU guidelines; and/or b) failure to accurately disclose and describe the nature and scope of outside professional activities as required by these Implementation Procedures and departmental/ORU guidelines.

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 Plan because of noncompliance. For example, corrective actions may include the discontinuation of Incentive/Bonus Compensation (the "Z") until such time as the Plan member complies with the Regents' Plan provisions; and/or the setting of Additional Compensation (the "Y") with consideration of the Plan member's prior performance, including compliance with guidelines on outside professional activities.

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/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.

- 5) **The Policy on the Requirement to Submit Proposals and to Receive Awards for Grants and Contracts Through the University** was issued by the President on December 15, 1994 and applies to all faculty, regardless of whether their department/ORU chooses the University-wide standard requirement or an alternative option. This policy states that employees who receive any part of their salary through the University, or whose activities use any University resources or facilities, must submit their proposals for extramural support through the appropriate University contracts and grants office. This requirement ensures that all research and other extramurally funded projects comply with relevant University policies and guidelines. An exception to this policy has been granted to UCSF VA faculty who are physically located at the VA and who use VA resources to perform the funded project.

- 6) **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*. When faculty retain income from professional consulting for for-profit entities or expert witness activities, the costs associated with the consulting or witness activities are to be borne by the third party or the faculty member, not by the University.

* Reference the Faculty Code of Conduct, Part II.C., and Academic Personnel Policy 015, Section II.

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 extend to expert witness activities when the faculty member retains the related income.

A reasonable amount of University resources may be used in support of activities to governmental agencies, non-profit health-or education-related organizations, continuing health education programs administered by the University, and/or University Extension, even if the department has chosen an alternative option and the income from these activities is retained by the individual faculty member.

- 7) **Disposition of Income Due the Plan:** under either the University-wide standard requirement or an alternative option, all department/ORU guidelines must detail the disposition of outside professional income due the Plan. If the departmental/ORU guidelines guarantee that a portion of this income will be returned to the Plan member as compensation, this must be clearly stated. The methodology for calculating any compensation to be paid to the faculty member from this source of income must also be detailed.
- 8) **Non-cash Compensation:** professional income governed by the Plan includes not only cash compensation, but also non-cash compensation. Plan participants are required to disclose non-cash compensation received in exchange for professional services *within 30 days of receipt*. Following is more specific guidance with respect to stock, stock options, and founders' stock.

Faculty who receive stock in lieu of compensation for outside professional activities must disclose this fact to the department chair/ORU director and to the Dean's Office within 30 days of the date of receipt, at which time it will be valued. If the stock is given to the faculty member at no cost, dollars equal to the stock's full value on the date of receipt are due the Plan. If the purchase price is equal to the market price/value on the date of receipt, no money is owed the Plan. If the purchase price is below valued price on the date of receipt, the difference between the purchase price and the value of the stock on the date of receipt is due the Plan. Following a determination of the value of the stock, the faculty member will be notified of the nature of any Plan obligations, based on the

above methodology. Faculty who neglect to disclose the stock at the time of receipt will owe the Plan the difference between the purchase price or value of the stock at the time of receipt and the value of the stock at the time it is disclosed.

Disclosure at the time of receipt is required regardless of the stock's potential valuation, and regardless of whether a faculty member believes that any dollars are due the Plan. Faculty in departments/ORUs that have implemented the alternative option may be able to retain the dollars due the Plan if they have not yet met or exceeded their time/dollar threshold for outside professional activities. However, both the time spent in outside professional activities related to the receipt of stock and any dollars due the Plan under the formula above *must be counted toward their time/earnings threshold*.

Stock options received in lieu of compensation for outside professional activities also must be disclosed to the department chair/ORU director and the Dean's Office *within 30 days of the date the stock option agreement is signed*. The Dean's Office will obtain a valuation of the stock as of the date of the agreement. If the option offer price is equal to or greater than the stock's valuation/market price on the date the agreement is signed, no money is owed the Plan. If the option price is below its valued price on the date the agreement is signed, the difference between the option price and the value of the stock is due the Plan. Following determination of the value of the stock, the faculty member will be notified of the nature of any Plan obligations, based on the above methodology. Faculty who neglect to disclose this information within 30 days of signing such stock option agreements will owe the Plan the difference between the offered option price at the time the agreement was signed and the value of the stock at the time it is disclosed.

Disclosure of stock options is required regardless of 1) the stock's potential valuation, 2) whether the faculty member intends to exercise the options, and 3) whether the faculty member believes that any dollars are due the Plan. Faculty in the alternative option may be able to retain the dollars due the Plan if they have not yet met or exceeded their time/dollar threshold for outside professional activities. However, both the time spent in outside professional activities related to the receipt of stock options and

any dollars that would be due the Plan under the formula above *must be counted toward their time/earnings thresholds.*

Founder's stock received in lieu of compensation for outside professional activities must also be disclosed to the department chair/ORU director and to the Dean's Office within 30 days of the time of receipt. It will be valued at the time of receipt and any value will be due the Plan. Since the value of founder's stock is generally insignificant, in most cases a negligible amount would be owed the Plan. However, if the founder's stock is not disclosed upon receipt, the value of the stock at the time of disclosure is due the Plan.

D. Benefits

- **Base Salary-Related Benefits** are associated with an individual's salary from one of the Health Sciences Salary Scales, paid through the University of California payroll system. These benefits may include participation in the basic retirement plan, health care insurance disability insurance, regular term life insurance, and other benefits as may be approved by The Regents under the same eligibility requirements of other members of the University's faculty.

No state funds shall be used for benefits above the portion of Base Salary equivalent to the Fiscal Year salary scales. Any required contribution to the health sciences retirement reserve fund on the portion of the Base Salary above 1.3 x the Fiscal Year salary scale will be charged to the appropriate department medical school fund account.

- **Optional Benefits on Additional Compensation**, paid through the University payroll system, have been authorized. These include disability and life insurance programs, as approved by the Office of Employee Benefits, Human Resources, Office of the President.
- **Paid Leave:** Plan members who are eligible for sabbatical leave or other leaves with salary, including parental leave, may be granted such leave at a compensation rate above the Health Sciences Scales Base Salary rate. Department/ORU guidelines must specify the salary rate(s) that will be used for calculating compensation during paid leaves. The possible rates that may be used include (1) Health Sciences Scale Base Salary (covered compensation), and/or (2) total negotiated salary (Base + Optional Additional Compensation).

Each department's/ORU's implementation guidelines shall include provisions for Plan members who are eligible for sabbatical leave or other leaves with salary, including parental leave, to ensure that such benefits are provided uniformly within departments/ORU's and/or divisions. No department/ORU may offer faculty benefits beyond those approved by The Regents for faculty members in the University.

V. ADVISORY COMMITTEE AND GRIEVANCE PROCEDURES FOR PLAN MEMBERS

An advisory committee that includes faculty representatives shall be established to assist the Dean in resolving issues on outside professional activities. The committee will be chaired by the Vice Dean for Academic Affairs and the voting membership shall include the Vice Dean, three additional appointees by the Dean, and four Plan participants elected by the School of Medicine faculty, at least one of whom represents a basic science department or ORU. The Faculty Council will run the election for the School of Medicine faculty representatives, and eligible voters shall include all Plan members in the School of Medicine. All appointed and elected members will serve for two years.

The committee's functions shall include advising the Dean on School of Medicine implementing procedures, including the establishment of good standing criteria and approval thresholds; processes for developing departmental and ORU implementing procedures, including methods for obtaining faculty input and for determining consistency with School implementing procedures; and faculty grievances with regard to the implementation and administration of these Procedures .

Faculty who have a complaint about issues related to outside professional activities should first try to have the issues resolved at the department level. If the complaint cannot be resolved through discussions, the faculty member's complaint and the Department Chair's response should be memorialized in writing. If the faculty member is dissatisfied with the department's decision, s/he should file a formal complaint in a letter to the Vice Dean for Academic Affairs. The Vice Dean will undertake fact-finding and will then present the case for consideration to the Advisory Committee. Both the complainant and the complainant's chair/director (or designee) will have the right to be heard by the Committee. The Committee will issue a formal recommendation for resolution for consideration by the Dean. If the faculty member is dissatisfied with the Dean's decision, s/he can pursue administrative remedies through applicable University academic personnel processes.

To ensure that the formal complaint process is fair and impartial, committee members shall excuse themselves from deliberation on any single complaint if the committee member has already participated in an administrative review of the action being considered in the grievance process or if there is a conflict of interest.

VI. ACCOUNTING AND BUDGETING METHODS

A. Management and Reporting of Income and Expenses

All professional services income generated by 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 his/her Department/ORU guidelines. All income owed the University must be deposited into the revenue account of the appropriate departmental/ORU compensation plan fund (numbers 60201-60299, 60301-60399, or 60901-60999). For payments made directly to the individual faculty member and owed to the Plan, the check should be endorsed payable to the University and deposited in the same fund. A receipt for each such deposit should be provided to the faculty member.

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. All financial transactions shall be approved, documented, and otherwise processed or executed in accordance with University, campus and School of Medicine policies, procedures, and delegations of authority.

In accordance with the Plan, all professional fee billing and collection activities shall be conducted by a University billing group or by an external vendor which has been approved by the Medical Group and the Dean. (Medical Group is defined as the Clinical Practice Organization at the Parnassus/Mt. Zion campuses and the Clinical Practice Group at the San Francisco General Hospital.)

All billing and collection services shall be detailed in a written agreement. Contracts with approved external billing agents shall utilize the standard UCSF billing agreement form with appropriate approval by the department chair, the Medical Group and the Materiel Management Department. These agreements shall be subject to audit and shall provide for monthly transmission of billings and receipt information to the University.

Regardless of the billing agent, all professional fees shall be deposited directly into an authorized University bank account.

B. Fund Accounts and Sources

Compensation Plan Fund Accounts shall be structured so that each department/ORU has at least two distinct funds: a Current Year operations fund and a Prior Year fund to which accumulated surpluses will be transferred annually. The Current Year fund shall receive income from patient care services and from other professional services due the Plan; amounts paid by University hospitals or affiliated institutions for professional and managerial services rendered to the hospitals by participants in the Plan; and such other funds as are required by the Chancellor or President to be included in fund accounts. If appropriate and with the approval of the Dean, additional funds may be identified for operations at San Francisco General and Mt. Zion Hospitals.

C. Assessment of Professional Fee Income

A rate annually recommended by the Dean and approved by the Chancellor for each department/ORU shall be applied against gross professional income. Current assessment rates are distributed annually to the departments and ORUs. Assessments will be collected monthly.

All department/ORU guidelines must detail the disposition of outside professional income due the Plan, including the methodology for calculating any departmental/ORU assessments.

D. Contingency in Event of Inadequacy of Medical School Fund Accounts

As stated above, each department/ORU will have a Prior Year fund which will constitute the prior years' accumulated surpluses. One purpose of the reserve 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 Dean and Chancellor may seek support from another non-State fund account within the School of Medicine. 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/ORU, or APU as determined by the Dean and Chancellor.

Although the Plan allows for the transfer of funds from one fund to another, the customary practice at UCSF will be to preserve the financial autonomy and independence of each department/ORU by maintaining separate departmental and ORU fund accounts.

E. Budgeting

All the funds and transactions associated with this Plan will be accounted for in accordance with the applicable sections of the University accounting manuals.

Each department and appropriate ORU shall develop and submit to the Dean by 1 July of each year an annual budget projecting income and expenses for their compensation plan funds. Except where accumulated surpluses are being used to support an extensive growth phase, it is expected that revenue will always be adequate to support anticipated expenses. Departments/ORUs should clearly indicate the funding mechanism for all benefits provided under the provisions of the Plan.

Current Year expenditures shall be budgeted for and funded in the following order of priority:

- 1) Clinical practice operating expenses, defined as costs incurred by the department/ORU 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 UCRP-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 of the Plan may be paid.

Each department and ORU must maintain a Reserve for Contingencies. These reserves will be used for such academic purposes as funding necessary renovation projects, recruitment expenses, or unfunded research expenses, and as a security for emergencies. In the event a department/ORU has accumulated a surplus beyond that required to cover contingencies, it is expected that these funds will be used to enhance the department's/ORU's academic program or to develop new programs as recommended by the

chair/director and approved by the Dean. Fund balances will be monitored monthly by the Dean.

VII. IMPLEMENTATION AND TRANSITION ARRANGEMENTS

These School of Medicine procedures are developed in accordance with the Regents' Plan approved in July 1999 and supersede any previous implementation.

February 14, 2001